





AMERICAN NEWS

# Bush set to declare drugs national security problem

By Lionel Barber in Washington

PRESIDENT George Bush yesterday put the final touches to his "Say No to Drugs" plan to curb drug abuse in the US, to be unveiled late yesterday in a national television address.

The plan aims to cut US illicit drug consumption by 60 per cent over the next 10 years - a goal which the president hopes to reach with a mixture of tough law enforcement and a crackdown on the casual user.

The president is expected to declare drugs to be a major national security problem and to lay most of the blame on the American consumer, rather than supplier countries in Latin America.

This marks a shift from President Reagan's view, which put much emphasis on interdiction from overseas suppliers, and

used Mrs Nancy Reagan to front the "Say No to Drugs" campaign. Analysts say this campaign may have helped to cut drug consumption among the middle classes, but failed to tackle growing drug-related violence in the inner cities.

Mr Bush intends to claim that his plan is the first "comprehensive national strategy" to tackle drug abuse. However, much will depend on whether he can sell his plan to the states. The rise in funds for federal law enforcement aid, for example, requires matching funds from local taxpayers, who may file at the request.

The president is also expected to press states to revoke drug offenders' driving licences and colleges to deny student loans to anyone convicted of a drug offence. "The aim is to

stigmatise the user," said one official yesterday.

Ahead, Mr Bush will provide at least \$300m in new aid to coca-producing countries - notably Colombia, Peru and Bolivia - including the \$65m which the Administration has already pledged to the Colombian Government.

In a television interview with David Frost, to be aired last night, Mr Bush has said he would not rule out sending US troops to help Colombia fight the cartels, if the government there requested aid. But he stressed that President Virgilio Barco had made no such request. "I don't think the President of Colombia wants American troops," Mr Bush said. "In fact, I know he doesn't. But if he changes his mind, fine."

# Rich rejects Mexican claims

By Kenneth Gooding, Mining Correspondent, and Richard Johns in Mexico City

MARC RICH, the Switzerland-based commodity trading group, yesterday described as "arrant nonsense" allegations made in a Mexican court that it conspired with an official of Mexico's state-owned Cananea company to control copper output from the country's biggest mine.

Mr Rich and Co, not Mr Rich personally, has for some time been negotiating with Cananea to provide a substantial financial facility to be repaid from proceeds of part of future copper concentrate sales at market terms, the company said.

"To allege such negotiations represent a conspiracy to seek control is arrant nonsense," Rich said negotiations with Cananea had been properly

documented and conducted with Cananea management, not with one individual. Substantial Western banks had taken part in the talks, which were continuing until the mine was declared bankrupt on August 20.

But the Mexican authorities are still insisting that chief among the alleged collaborators with Mr Emilio Ocampo Arenal, detained ex-director of Compania Minera de Cananea, in allegedly selling its copper output at 5 per cent below world market prices, were Mr Rich and Mr Gad Newman, a former executive of the copper mine.

Mr Ocampo is facing three charges related to the company's bankruptcy and is accused of taking a 5 per cent

commission on copper concentrate sales in collusion with Mr Marc Rich and a West German named as Mr Gad Newman.

Mr Newman, a former financial executive with Cananea, fled the country on the day of Mr Ocampo's arrest. He is believed to have gone to Costa Rica.

The Attorney-General's office alleges that Mr Ocampo altered the wording of contracts with Japanese and South Korean companies to "the disproportionate benefit" of himself, Mr Newman, and Mr Rich.

Over 30 people have been arrested so far in connection with the charges. The former production director, Mr Antonio Montano Munguia, has been released on bail from jail. He is said to have told the investigators that Mr Ocampo and Mr Newman received 4-6 per cent of proceeds from sales volumes.

Evidence has been given by 65 former and current officials, staff, union members and external auditors. The Attorney General's office has yet to quantify the extent of the alleged fraud although its proceedings against Mr Ocampo at present related to a sum of no less than Pesos 6,000m.

# Price wins election in Belize

By Canula James in Kingston

THE SOCIAL Democrat Mr George Price, who has led his opposition party to a narrow general election win in Belize, will seek to strengthen social services in the English-speaking Central American country, his People's United Party said

yesterday.

Results announced yesterday showed that, in a general election on Monday, the PUP took 15 of the 28 seats contested, ousting the conservative United Democratic Party of Mr Manuel Esquivel.

# Where majorities do not make a message

Lionel Barber appraises the US Democratic Party's search for strength

ONE day last month, in his home district in Chicago, Congressman Dan Rostenkowski found himself besieged by an angry mob of senior citizens.

The elderly were protesting against a surtax to pay for an expansion of Medicare to cover the high costs of prolonged illness in the US. Mr Rostenkowski, one of the most powerful Democrats in Congress, paused, growled his disapproval and beat a rare retreat.

These days, Mr Rostenkowski, chairman of the tax-writing House Ways and Means committee, is taking an unusual amount of flak - and his problems underline the difficulties facing Democrats as they gather in Washington today for the new session of Congress.

Despite having majorities in the House and Senate, the Democrats are in disarray, divided by basic differences over tax and spending decisions, and unsure about the direction which new party leaders wish to take. Moreover, the Democrats are learning an old lesson in US politics: that control of Congress comes at the price of dealing with a president from the other party, and that operating the legislative machine can conflict with the demands of the party at large.

Other explanations for the Democrats' weak-kneed perfor-

mance abound in Congress: the party's traumatic defeat in the presidential election last year; the unexpected removal of two of the top leaders in the House under ethics clouds; a new (and relatively inexperienced) Senate majority leader Mr George Mitchell; and the federal budget deficit which has stripped the party of the money with which to fund the social programmes it has traditionally used to woo voters.

There may be a little truth in all these explanations, but together they do not satisfy the more thoughtful analysts of the party's dilemma, such as Mr David Dreyer, who recently joined the staff of Congressman Richard Gephardt, the new House majority leader. For them, the question is as profound as this: what does the Democratic Party stand for?

This was first raised when the party split over civil rights and the Vietnam war 20 years ago and more. It is even more pressing for Democrats today, says Mr Dreyer, who feels the party has failed to develop a philosophy to succeed that of the Great Society - the Kennedy-Johnson War on Poverty. Five defeats in the last six presidential elections underline the weakness of the party at a national level.

Also, Mr Dreyer contrasts his party's weakness with the relative vibrancy of the Republican Party. "Ronald Reagan



Rostenkowski: besieged  
ran for election in 1968, 76 and 80. He spearheaded a Republican philosophy and he spawned a generation of Republican politicians."

last year of Mr Michael Dukakis, the Democratic presidential candidate, was not, as some Democrats have argued, a failure of tactics but a failure of message, best summed up by the candidate's inability to state clearly what he stood for, and why voters should back him against Mr George Bush. Alarming for the Democrats is this ideological uncertainty, appearing to be taking hold in Congress which has largely been their stronghold for the past 25 years.

The Democratic leaders face a revolt of some 90 House members who are willing to back, in some form, President Bush's proposal for a cut in the rate of capital gains tax. This is a stunning prospect for Democrats who forecast with confidence this year that Mr Bush would have to swallow his campaign promise and agree to new taxes.

One reason for this switch is that the Democratic rank-and-file has spotted that a cut in capital gains offers the prospect, via a consequent surge in investment, of a one-off gain in revenue for the Treasury which, in a tight budget climate, may be the only way to pay for enhancing programmes such as child care. Just as important, though, say Republicans, is that Mr Bush has convinced some Democrats that a capital gains cut will stimulate economic growth.

It was these prospective defections which encouraged Mr Rostenkowski to tell reporters in early June that he might be amenable to a capital gains cut - if Mr Bush put other issues on the table. In retrospect this seems a mistake for, in his eagerness to do a deal, Mr Rostenkowski might have made a concession without anything in return (and he was hauled back into line by the new House leaders, headed by Mr Tom Foley, Speaker, and Mr Gephardt).

The question for the new session of Congress is whether the Foley-Gephardt team, with Senator Mitchell, can forge a clearer message to voters. Now, there is not much ground for optimism. The president remains popular, the economy continues to grow and there seems to be no paramount national political issue (other than, perhaps, abortion, where the Supreme Court's recent ruling to restrict rights shows signs of galvanising voters).

As Mr Michael Kinsley, the syndicated columnist, wrote last week: "If the Democrats don't stake out an ideological position soon, they will find themselves fighting the next election on relatively trivial - and potentially don't-edges - issues such as sleaze and phony issues, such as such flags and furloughs, devised in the Republican research laboratories."

# Japan near project loans accord with Brazil

By Ivo Dawney in Rio de Janeiro

JAPAN is close to concluding negotiations with Brazil on the release of almost \$500m in project loans under the former's new Overseas Economic Co-operation Fund (OECF).

Mr Harunori Kaya, Tokyo's ambassador to Brasilia, said yesterday that conclusion depended only on procedural questions. "We hope to be able to reach agreement as soon as possible," he said.

However, Brazilian press speculation yesterday that the cash might be released without an accompanying agreement on economic targets with the International Monetary Fund appear misplaced. The ambassador gently dismissed sugges-

tions that an accord could be completed without such an IMF programme in place. "We would prefer to see an agreement with the international financial institutions," he said, adding, "perhaps prefer is a little too weak."

He went on to confirm that disbursement of funds would be dependent on an IMF accord, dashing hopes by senior officials that Japan might waive the requirement.

Various big loans to Brazil, including a final \$900m tranche of commercial bank credits, agreed under the rescheduling deal last year, are held up by the country's failure to meet IMF targets.

# London visit lifts hopes for Argentines

RESTORATION of full diplomatic and commercial links between Argentina and the UK has had further impetus from the presence in London this week of Senator EdUARDO Meoem, brother of Argentina's President Carlos Menem, Robert Graham writes.

Senator Menem, leading an Argentine delegation to a meeting of the Interparliamentary Union, has been underlining that both countries must set up realistic dialogue by side-lining the Falklands sovereignty issue. Both now had a satisfactory mechanism to negotiate resumption of diplomatic and commercial links without Argentina renouncing its claim, he said.

# Provincial unrest upsets Menem's austerity push

By Gary Mead in Buenos Aires

CONFLICT between central and provincial governments in Argentina threatens to upset President Carlos Menem's efforts to cut national government spending.

Under new legislation, Mr Menem's economic team has powers to end federal Treasury subsidies to the 22 provincial administrations, 17 of which are governed by politicians of the president's Peronist party. Mr Nestor Rapanelli, Economy Minister, implemented such cuts last Friday.

But Mr Antonio Cafiero, who as governor of the largest province (Buenos Aires) and president of the Peronist party has

much political clout, announced late on Monday that the provinces will be unable to pay the salaries of their administrative personnel this month if central government sticks to its word.

Mr Cafiero fought a hard campaign against Mr Menem for the peronist party's presidential nomination last year. Economy ministers of all provinces are to meet a senior Economy Ministry official today to discuss the issue, and are likely to back Mr Cafiero's demands for a reversal of Mr Rapanelli's budget cuts. Next week, the provincial governors will meet.



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THE AMAZON

Sowing the seeds of destruction

Tax incentives threaten Brazil's rain forest, reports John Barham

HOURS after Brazil's Space Research Institute (INPE) claimed this week that about 33,000 sq km of forest and scrub had been cleared by burning in the last two months, the figure was being challenged by the Government's environmental agency, Ibama.

Once again, the great debate on the conservation of the Amazon was submerged in warfare over disputed statistics.

But, increasingly, ecological groups and international agencies such as the World Bank are arguing that the issue should not be how much forest is being destroyed but the ending of financial incentives behind the destruction.

For two decades, Brazilian governments - often supported by international development agencies - pumped about \$1.5bn into tax relief, subsidies and other incentives into projects to develop the region, many of them ecologically dubious.

Then, in April this year, came a symbolic reversal when the Government suspended indefinitely financial backing for cattle ranching in "dense forest areas" and introduced tougher environmental controls on industry.

But the whole body of government credit and tax policies still sanctions destruction of

the forest. Years of free-flowing public money have created a coalition of business, political and even criminal interests that vigorously oppose change.

The incentives remain fully in place in the north-east of Brazil and the Amazon, where the Superintendent of Amazonia (Sudam) is distributing \$70m in tax incentives to private companies this year.

A recent investment guide states that "in fiscal terms, [Amazonia] is one of the geographical areas that offers the greatest advantages to enterprises." Any company can deduct 25 per cent from its corporation taxes and put the savings directly into its own Sudam-approved mining, industrial or farming project or channel the credits into a fund administered by Sudam. Tax incentives can finance up to 50 per cent of a project, which pays no corporate taxes for 10 years.

Sudam is to make its largest grant to Mr Olacyr de Moraes, a leading São Paulo businessman. It will give him \$64m in tax credits to build a \$2.5bn railway linking Mato Grosso on the fringes of Amazonia, with the south of Brazil 1,000 miles away.

The agency is pressing ahead with grants for 21 highly controversial charcoal-powered pig iron and manganese plants in

the south of Para state. These plants will cut down 90,000-200,000 hectares of forest every year to turn trees into charcoal. The companies are meant to be forming eucalyptus plantations to provide an alternative source of fuel. However, it is doubtful that the mills will be profitable once the surrounding forest is depleted.

World Bank officials say agricultural policies are even more damaging. Agricultural income is lightly taxed in Brazil, so property has become a tax shelter for corporations and the wealthy. Nowhere is land cheaper or more plentiful than in the Amazon. Speculation keeps prices rising. Ironically, farmers destroy the forest because anti-speculation laws consider uncleared land to be "unproductive" and hence pay higher taxes.

Settlers burn the forest to stake ownership claims. They use the land as collateral to raise loans or sell it for a quick profit. Farmers should only clear half their land but the law is not enforced.

All these policies benefit landowners, many of whom are locked in violent disputes with peasant farmers over property rights. In 1986, Volkswagen sold its 140,000 hectare Sudam-sponsored ranch after reports that subcontractors used forced labour to clear the jun-

gle.

Like Volkswagen, most corporations preferred to invest their tax credits in cattle ranches. Sudam disbursed about \$700m - \$1bn in tax credits to spectacularly destructive corporate ranches.

Some 8m hectares of forest have been cleared for ranches, which are quickly infested by weeds and secondary growth. Ranches are viable only as long as the tax money keeps flowing. The Government found that many ranches were being exploited only for their tax benefits.

But most Sudam funds were stolen: it disbursed nearly 100 per cent of approved projects have been implemented. This year, Mr Henry Kayath resigned as Sudam's superintendent after he was implicated in a corruption scandal.

In comparison with farming, mining in the Amazon seems almost benign. In theory, mines need destroy a mere 0.02 sq km of forest a year to generate \$1m in revenues - 250 times less than a commercial rubber plantation and 5,000 times less than a cattle ranch. Although operating costs are high, mines can be highly profitable because rich deposits lie close to the surface.

Even so, the Government provided massive support for the industry. Mining compa-



Brazilian settlers burn the rain forest to stake ownership claims to land which they can then sell for a quick profit.

panies are entitled to Sudam's panoply of benefits and can import heavy machinery free of duty through the Manaus free port; and even after decades in Amazonia, companies avoid paying full corporation tax.

The Government spent heavily on infrastructure projects to attract mining investments. For instance, the \$3.5bn Tucuruí hydroelectric dam in the eastern Amazon sends 40 per cent of its subsidised power to aluminium companies. How-

ever, the Government showed no interest in imposing environmental controls until very recently.

New policies require companies to submit environmental impact studies when applying for a mining concession. They must restore the forest once they have finished mining. However, the cost of restoring damaged areas is still unknown, because Amazon mines are still far from exhaustion.

Obviously, policy changes are only meaningful if they are enforced, but the Government's writ does not run much beyond the Amazon's major cities. Although it underwrites the rain forest's pillage with public money, Brasília cannot find the money to finance its environmental control departments properly. They can hardly pay their telephone bills, let alone police an area larger than Western Europe.

Brazil is now recognising that policies should encourage

ecologically viable exploitation of the forest's resources. In Acre, in the far west of the Amazon, the Government created reserves where peasant farmers harvest rubber and Brazil nuts. The reserves were championed by Mr Chico Mendes, the rubber tapper leader murdered last December. By making low-tech, small-scale development an international issue, Mr Mendes achieved more in death than during his years as an obscure agitator.

Malaria mosquito faces a tough time in boomtown

By John Barham in Ariquemes, Rondonia

MALARIA has swept through the Brazilian Amazon fast on the heels of devastating deforestation. Now, for the first time in decades, Brazil has inexplicably managed to stem the disease's phenomenal advance.

In 1977, Brazil had 101,000 cases of malaria. By 1988, that figure had risen to 570,000, a world record. Last year malaria claimed an estimated 3,000 lives. Now, however, to the Health Ministry's surprise, malaria cases have fallen by 11 per cent in the first half of this year.

The sprawling boomtown of Ariquemes, in the west Amazon state of Rondonia, proudly claims to be the world's malaria capital. But recently, it has seen a dramatic improvement. In January, one of the peak months for malaria, notifications fell by 35 per cent.

The anopheles mosquito, which transmits malaria, flourishes in the stagnant ponds left by Ariquemes settlers slash-and-burn the rain forest. Curiously, the people of Ariquemes are as proud of their appalling health as a war veteran is of his wounds. Some people claim to have come down with malaria as many as eight times. In 1988, the city reported 240,000 cases of the disease, even though it has a population of only 150,000.

A khaki-uniformed paramilitary health brigade called Superintendência de Saúde Campesina (Sucam), charged with stamping out endemic diseases, takes much of the credit. Its infantry travel the Amazon by jeep, canoe and light aircraft systematically spraying houses and the forest with insecticide and testing the population for malaria.

However, officials in Brasília are not sure why malaria is declining, although embattled President José Sarney, desperate for good news, immediately claimed full credit for the improvement. Dr Dilermando

de Rezende of the Health Ministry's Malaria Division suspects changing rain patterns may be reducing the number of mosquitoes.

The Government is about to begin a five-year \$11m anti-malaria campaign, with half the money coming from a World Bank loan. Despite its sudden decline, malaria will remain a permanent threat in Amazonia.

Strains of the malaria parasite have acquired immunity to conventional drugs. Prevention is impossible and relapses are common. A vaccine is still decades away and is unlikely to provide full protection from the complex malaria parasite.

Fortunately, the rate of settlement and deforestation of Rondonia by dirt farmers is declining. But an estimated 1m gold prospectors have descended on Amazonia. They roam the jungle, spreading malaria wherever they go.

Amazonians are remarkably ignorant about malaria. Dr Rezende explained that "anything that is not directly related to immediate survival - food and shelter - is ignored." A poster campaign featuring a larger-than-life diagram of the anopheles was proved a failure when settlers reassured officials that three-ft-long mosquitoes do not exist.

Better than spend heavily on prevention, the Ariquemes city authorities have set up a malaria hospital, which they proudly announce, is the only one of its kind on earth. Treating malaria costs 8.5 per cent of the city's over-spent budget and officials claim that further anti-malaria efforts are hobbled by a chronic lack of funds from the Government.

Yet the shortage of funds has not prevented the city from building a trailblaze circuit and a brand new skateboard park, even though few Ariquemes youngsters are wealthy enough to own even a skateboard.



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UNCTAD ANNUAL REPORT

Export reforms 'no guarantee of economic growth'

By William Dullforce in Geneva

UNCTAD's 1988 trade and development report pours some cold water on the idea that trade policy reforms designed to increase exports necessarily promote the economic growth of developing countries.

Third World exports surged by some 13 per cent last year, with large advances in shipments of manufactures by some South-east Asian and Latin American countries. But after studying 32 developing countries which followed varying trade policies during the 1980s, Unctad's economists found that favourable export performance was not always synonymous with good overall economic performance.

In many countries, the expansion of exports has taken place not through increased investment, but mainly through shifting output away from domestic markets, which have been kept depressed by demand management policies aimed at generating trade surpluses.

output and falling investment ratios. Their export capacities remain fragile and their good export performance of recent years could easily come to an end, Unctad comments.

Nor is the favourable effect of the open trade policies and import liberalisation adopted by many developing countries this decade as yet proved.

Rapid export growth was shared by countries with relatively low tariffs and few non-tariff barriers (Mexico and Malaysia), by those relying heavily on policies of selective intervention (Indonesia and Turkey) and by those with restrictive import policies (Venezuela).

While acknowledging that some policy reform packages are too recent for a final verdict to be passed, Unctad comments that the countries concerned - Bolivia, Chile, Côte d'Ivoire, Ghana, Jamaica and Uruguay - need to realise other conditions for development, such as the accretion of skills, economic and social infrastructures, and policy stability.

The international agency also finds it "particularly disturbing" that, as more and more developing countries liberalise their trade regimes, the drift of policies in developed countries - the US and the European Community are named - is toward greater protectionism.

Exceptions to this general pattern are mainly found in South-east Asia. Indonesia leads with a 44 per cent average annual growth in exports of manufactures between 1980 and 1987 and a 11.3 per cent annual increase in gross domestic investment.

South Korea, Malaysia, Pakistan and Thailand were among the nations combining substantial improvements in exports of manufactures with high rates of growth in investments, manufacturing output and GDP.

Mexico, Morocco, Venezuela, and to a lesser extent Brazil, showed strong growth in exports of manufactures but negligible increases in overall

'In many countries, the expansion of exports has taken place not through increased investment, but mainly through shifting output away from domestic markets, which have been kept depressed by demand management policies aimed at generating trade surpluses'

Third World problems could thwart debt strategy

Relief cannot be confined to reform-minded nations, says Unctad chief. William Dullforce reports

THE FISCAL and monetary disorder prevailing in many developing countries can thwart the new Third World debt strategy embodied in recent agreements with Mexico and the Philippines, the United Nations Conference on Trade and Development warns in its annual report published today.

The success of the debt-reduction plan launched last March by Mr Nicholas Brady, the US Treasury Secretary, is seen as depending on adjusting it, to take into account the cumulative damage inflicted on the financial systems of countries by the seven-year debt crisis.

In particular, the Unctad economists believe that in some heavily indebted countries - Argentina is cited as one example - economic disorder is so heavily entrenched that the stabilisation programmes called for by the International Monetary Fund and World Bank under the Brady Plan are impossible without a prior easing of the debt burden.

Unctad, a forum for dialogue between the Third World and industrialised countries, was the first international organisation to call, in its last year's report, for sweeping debt cuts, including a 30-per-cent write-off of commercial bank claims.

This year, while recognising that the Brady Plan represents a turning point on debt reduction, the Unctad secretariat considers that the innovations it has so far introduced are "too small to constitute a viable solution to the debt crisis".

Political factors are also added. Thus, the failures of the inflation-curbing programmes launched in Argentina and Brazil in 1987 are ascribed to "a continuing struggle by different population groups to attain income levels that were not mutually compatible".

Pointing to an intensification of class conflicts, political instability and violence in a number of Third World countries, Mr Dadzie warns that hard-won gains in democratic institutions and human rights are in jeopardy.

In Unctad's view, it would be dangerous for creditor governments and international agencies to insist that, to be eligible for debt relief, countries have first to follow Mexico's example in curbing inflation and cutting their budget deficits.

Third World administrations would not be able to reconcile the competing claims on income from their peoples. Few governments could impose the

Debt relief cannot be confined to countries such as Mexico which are able to establish a track record for economic stability and market-oriented policy reform, Mr Kenneth Dadzie, Secretary-General, underscores in his overview of the 250-page report.

Among the symptoms of chronic disorder in many debtor countries listed by Mr Dadzie are rapid inflation, large budget deficits, excessive money creation, rapid accumulation of domestic debt, high real interest rates, repeated currency depreciation and capital flight.

sharp cuts in real wages realised in Mexico, it is suggested. Argentina and Peru are among the problem countries for the Brady plan cited privately by Unctad's economists.

Mr Roger Lawrence, the money and finance director, says: "The question is, where do we go after Mexico and the Philippines? We would like to see governments move quickly on Argentina, which is probably the litmus test for what one can do with countries in serious disorder".

Unctad's argument is that in its present form the Brady Plan can do little for debtor countries which are incapable of achieving economic equilibrium without first receiving debt relief.

The new policy guidelines allow some 25 per cent of a country's IMF drawing rights and World Bank structural adjustment loans to be "set aside" to support reductions in debt. Up to 40 per cent of a country's IMF quota and up to

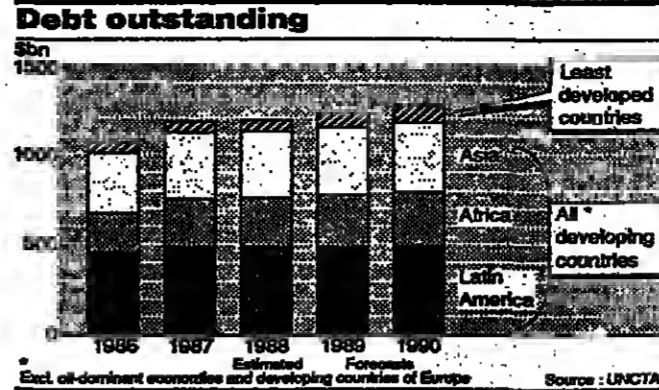
15 per cent of its overall three-year lending programme from the Bank can be used for interest support.

In theory, the two agencies can extend around \$20bn to countries for debt and debt service reduction. In addition, Japan has pledged \$10bn in parallel lending, making a total pool of some \$30bn.

In practice, under the conditions imposed, actual use is unlikely to approach this figure, Unctad claims.

For one thing, countries unable or unwilling to accept IMF and World Bank "conditionality" - the structural adjustment programmes imposed - are not eligible. For another, special justification, reflecting the strength of a country's medium-term programme, is required for access to the interest-support facility, which makes up over half the pool.

This could mean that it would be limited to countries which have managed to meet



Debt of dominant economies and developing countries of Europe. Source: UNCTAD

policy conditions for several years. Unctad assumes. Only a handful of countries could meet such a test.

Japan has not yet clarified whether it will require "special justification" for the use of its \$10bn. Unctad economists point out that Japanese acceptance of this extra risk could be crucial for Argentina, which cannot provide a Mexican-type track record.

Even if the \$30bn were fully used, Unctad estimates that for the highly indebted countries, interest payments would fall by about 15 per cent and principal by less than 20 per cent. The minimum required is about double these figures, it claims.

Unctad's recipe is, first, for creditor governments to provide more "carrots and sticks" in the form of inducements and sanctions for commercial banks to accept debt reductions. Second, it wants IMF conditionality to be eased, to take into account "the diminishing capacity of debtor countries to achieve, in the face of a huge net outflow of resources, the social and political consensus necessary for economic stability and growth".

The longest chapter in the report seeks to justify this latter demand by analysing the increasing "macro-economic disorder" into which many developing countries have been plunged, in spite of serious efforts to cope with debt repayments and declining commodity prices and conform with adjustment programmes.

A basic thesis is that the impact of the external shocks of the 1980s on the finances of

Third World public sectors has been grossly underestimated. Since in developing countries a large part of the foreign debt is serviced through the public sector, the rise in interest payments has added to public sector deficits at the same time as cutbacks in lending created domestic financing problems.

Persistent and large fiscal deficits and rapid monetary expansion have been the effects, even more than the causes, of payments crises and inflation, it is argued.

In many countries, debt payment became a question of domestic budget transfers. Resistance by the private sector to making such transfers precipitated a struggle between the private and public sectors.

Where tariffs and other import charges were an important source of government revenues, reduced imports by the private sector have added to budget deficits.

In fact, the Unctad report shows, deficits have been brought down in many debtor countries from the high levels reached during the early 1980s. But reconciling the differing policy objectives imposed on governments has proved to be impossible without a number of serious trade-offs.

Given the difficulty experienced by certain industrialised countries in making the relatively much smaller switch of resources from the private to the public sector needed to balance budgets, it is not surprising that in developing countries conflicts between competing claims on income have remained unresolved, Mr Dadzie remarks.

Total debt burden of developing countries falls for first time

THE total debt burden of developing countries fell in 1988, for the first time since the international debt crisis began, according to figures from the Organisation for Economic Co-operation and Development, Stephen Fidler writes.

Total external debt fell to \$1,240bn in 1988 from \$1,276bn a year earlier, of which long-term debt accounted for \$881bn, down from \$1,002bn, according to the organisation's 1988 survey. Financing and External Debt of Developing

Countries. The report gives, in general, a positive assessment of the changes in the international debt strategy in 1988 and 1989 and, the new debt initiative launched by the US Treasury Secretary, Mr Nicholas Brady, in March.

"A significant breakthrough has been the official acknowledgement by the international community of the existence of a 'debt-overhang' in the middle income problem debtor countries," it said.

Debt burdens fell, but debt servicing costs rose in 1988, partly because of higher US interest rates, to \$177.9bn from \$156.5bn in 1987. Net resource flows to developing countries fell by about 1 per cent in real terms last year - after adjustment for price and exchange rate changes - after remaining stable in 1987, the OECD says.

While official disbursements rose by about 1 per cent in 1988 in constant terms, private flows declined. Nominal resource flows, before these adjustments, showed the recovery initiated in 1987 was confirmed in 1988. While the increase in 1987 was due to higher official and private disbursements, the 1988 nominal increase was due to higher disbursement of official grants and loans and export credits.

Resource flows to advanced developing countries, particularly in the Far East which no longer need the finance, have declined. For different reasons,

problem debtor countries - particularly in Latin America and the Middle East - continue to face financing constraint.

The nominal figures show official development finance rising to \$67bn from \$62bn and export credits growing to \$3bn after net repayments of \$700m the previous year. Private flows declined to \$32.9bn from \$35.6bn. Resource flows rose to \$102.9bn, the highest nominal level since 1982, compared with

\$96.9bn in 1987. The figures show that developing countries repaid \$4.2bn to the International Monetary Fund in 1988, compared with repaying \$4.7bn in 1987 and \$1.4bn in 1986. Capital flight from all developing countries is estimated to have risen to \$14bn in 1988 from \$11bn the year before.

Adjusted to 1987 prices, net resource flows slipped to \$96bn from \$96.9bn in 1987, \$96.3bn in 1986 and \$119.4bn in 1985.



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UK NEWS

# Views conflict on future prospects for the North Sea industry Oil companies predict slow decline

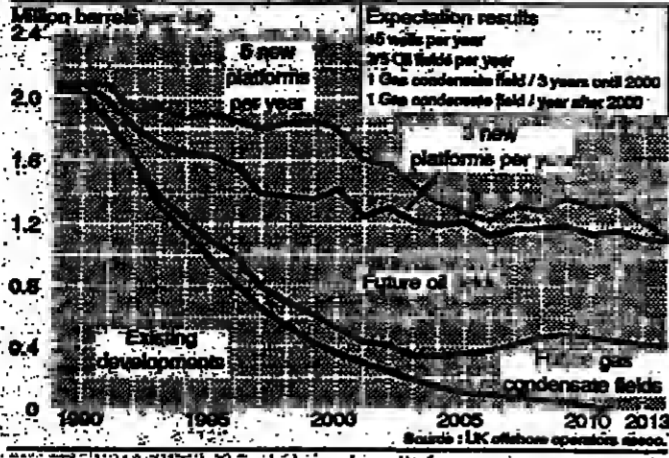
By Steven Butler

THE UK Offshore Operators Association (Ukooa) yesterday published a bullish 25-year forecast for British oil and gas production in which oil production could be as high as 1.4m barrels a day in 2015, compared with more than 2m today.

The association, which groups together oil companies operating in the North Sea, implies only a gentle decline for the UK oil industry. Although estimated production would be unlikely to meet all of Britain's oil needs by the end of the period, it would supply the great bulk of it.

The study concludes Britain would be able to meet its gas needs without recourse to imports well into the next century, and foresees gas production at 60m to 80m cubic feet (bcf) a day in 2015.

## Total production potential from offshore fields



The study is based on a poll of Ukooa members and statistical projections of known exploration and development trends. It assumes a broadly favourable business climate and does not include some factors that could have a big impact on production, such as technical innovation.

The most important variable affecting future production rates turns out to be the rate of new platform construction. The study takes as an average three or possibly five new oil-field developments a year; six new gas platforms a year; and one field of gas condensates, a light hydrocarbon containing liquids and gas, every three years from 1993 to the end of the century, with one field per year after that.

Based on this level of activity, the offshore industry is expected to make £14bn to

£26bn in cumulative capital expenditures by the end of the century, and £3.7bn to £7.5bn in spending for expenses.

Oil output from fields currently in production is expected to fall by half by the mid 1990s, while gas production from current fields should be halved by the year 2000.

Most of this decline will be compensated for by 160 undeveloped discoveries that contain 6.4m barrels of oil and 33.4 trillion (million million) cubic feet (tcf) of gas. By the next century gas condensate fields, which are currently undeveloped, will come to play a big role in supplying Britain's gas needs. Excluding gas from condensate fields, gas production could increase to 5bcf a day by early next century, but could rise to 8bcf should gas condensate discoveries come on stream.

The development of gas production would also be affected by uncertainties about the future of the gas market, where the Government is trying to encourage competition, and on policy on gas imports.

# United to spend £3.5m on factory in Ulster

By our Belfast Correspondent

UNITED Technologies, the American manufacturer of car wiring harnesses, is creating 250 jobs at its Londonderry factory in a £3.5m project backed by Ulster's Industrial Development Board, it was announced yesterday.

An extra 190 workers have already been recruited and the other 60 jobs will be added within the next three years, bringing total employment to more than 600.

Mr Richard Needham, Ulster's Economy Minister, said the expansion resulted from increased sales. The company's customers include the biggest European car makers. United Technologies is the 16th largest company in the United States with total sales of \$15bn and 200,000 employees worldwide.

Britain is desperately short of computer specialists with experience of, and the ability to teach, one of the more important new information technologies.

As a consequence, International Computers (ICL), has decided to establish its first training development centre specialising in the technology - Unix software - in the Republic of Ireland where it can take advantage of the country's abundance of highly qualified young people.

## Result expected on Harland bid

THE OUTCOME of the management-employee buy out of Harland and Wolff, the Belfast shipbuilder, will be announced on Friday, Our Belfast Correspondent writes.

It had been thought that the company would be able to disclose the level of share applications today but the deadline for receipt of completed forms was extended to facilitate late applications.

Around 60 per cent of the workforce is understood to have applied for shares to date but many workers took advantage of the extended deadline to seek further advice about investing in the buy out.

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For further information please contact: Conference Secretariat, Sappelle Office Somin, 7175 Soavis, Switzerland; Fax 0041 1 362 5197



# Unleaded petrol sales corner 24% of market

SALES of unleaded petrol went on rising last month and now account for almost a quarter of the UK market, the Government said yesterday.

In the past year sales have risen from 0.5 per cent to 24 per cent.

Mrs Virginia Bottomley, Environment Minister, has described the increase as "dramatic." She said a poster campaign would be launched this month at all MOT testing stations to encourage even more motorists to switch to unleaded fuel. She also urged manufacturers to encourage dealers to convert used cars.

In a letter to car manufacturers, Mrs Bottomley said the sale of new and used cars already adjusted to use unleaded petrol would help to overcome the obstacle of persuading motorists to have their cars converted.

# Pessimistic forecast in offshore service and supply industry

By James Burton, Scottish Correspondent

A NOTE of pessimism was sounded yesterday in the UK offshore oil service and supply industry by one of its main spokesmen yesterday.

Mr Ian Wood, chairman of the Aberdeen-based offshore services group, told the Offshore Europe Exhibition and Conference in Aberdeen, the industry "was not looking forward to the future with unbridled confidence."

His view contrasts with the upbeat mood about prospects for North Sea oil and gas, buoyed by the current upturn in development activity and optimistic long-term forecasts.

Mr Wood said oil companies were squeezing the supply and service companies too hard and criticised the poor performance of the UK supply industry in overseas markets.

He said that oil companies had a "schizoid" approach to the supply industry, parts of

which were still "fighting for survival" after the collapse of the market when the oil price collapsed in 1986.

The result was often an unbalanced performance by the contractor.

As a consequence, he warned, the supply industry would be unable to play its role in achieving technological breakthroughs.

The small technology companies which provided the seed corn for future growth and development would struggle badly and were already showing a poor survival rate. Mr Wood called for suppliers and oil operators to work together more as partners than adversaries.

He called for longer term service contracts with a better risk sharing. Mr Wood said the UK supply and service industry's share of the international market was "woefully short of what it should be," bearing in

mind that the UK continental shelf has been the main proving ground for the world offshore industry for the past 20 years.

This included the performance of the many foreign-owned companies which operated from the UK.

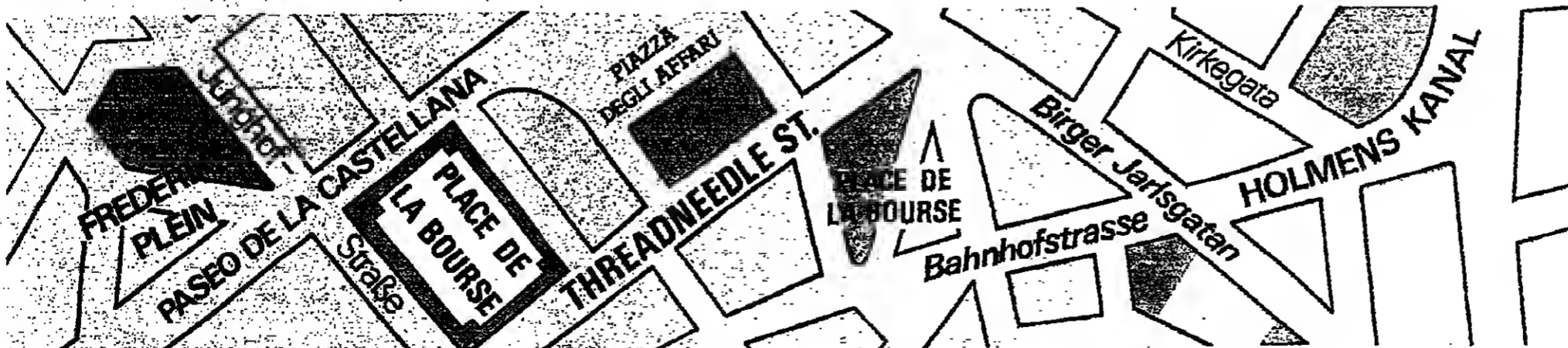
"Government ministers make ever more ambitious pronouncements on the major contribution the industry is making worldwide, but no figures are available," he said.

He said the UK's share was more like 5 per cent than 10 per cent of the world market. He called for a government study of overseas opportunities and the UK industry's role in them.

Mr Peter Morrison, the energy minister, said he was considering such a study.

He had recently established an oil industry export advisory group which involved major companies.

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## MANAGEMENT

## Career decisions

## A study of working life

Andrew Jack explains the value of a scheme which allows female American students to spend a week shadowing a role model



cult matching the sponsors' and externs' aspirations and personalities. "Applicants may look as though they've been aiming at investment banking since age four," she says, "but often they really have no idea what they want to do."

Some sponsors want externs who are seriously interested in that particular career. But others are much more flexible. Lucy Conant, a farmer in western Massachusetts, says: "They come to spend a week doing something different: being outdoors, making maple syrup, doing physical work."

Eight years ago fewer women opted for fast-track careers. Andrea Kierstedt was sponsored by a retired nursing instructor who ran a sheep farm, and then a year later with a woman who ran a day-care centre.

She later became a sponsor herself, offering a place for a student to work with her in a soup kitchen in Baltimore. "My sponsors introduced me to new things which I thought would be fun to try," she says. "They were a release from the school's pressures."

Sharon Beckman, who graduated in 1980, points to more focused gains. Her week with a lawyer rekindled her childhood interest in the profession. "I had been put off the idea at Harvard, where everyone was interested in corporate law and not the people side. My sponsor got me excited again." She

applied to law school, and is now working with a criminal defence and civil litigation firm in Boston.

"But the most valuable lesson I learned was that you can be a wife, a mother and a professional," adds Beckman. "I was struck by the fact that my sponsor didn't have to miss out. She showed me that you can't expect everything to go smoothly, but you can work and have a family."

The lessons are the same for more recent externs. "The home-stay gave me a rounded-out view of the whole lifestyle," says Heather Douglas. The fact that she is now having second thoughts about being a doctor proves the success of the externship programme. "I've decided I don't want to spend nine years training for this career."

Jill Shapiro, another student who stayed with a doctor says: "I had done some secretarial work in a hospital before. But I was interested in observing what a doctor actually does all day. My sponsor was very good about including me in everything she did."

Mary Psychas, who shadowed a senior executive in the American Youth Hostels Association, says: "I learned a lot. It made me more aware of the kinds of things women are doing, the jobs you can get without having to go to graduate school, and things like the importance of the town or city

where you want to work." Baukema admits that recently-married husbands do sometimes object to the live-in arrangement. "But most of the women are thrilled at the prospect of having this intelligent, vital life in their house. They find it very exciting to spend time with someone with so much passion and energy."

"I just love it," says Frederica Brennehan, who was Connecticut's second female Superior Court judge. "I don't think the kids can possibly enjoy it as much as I do. I adore that age group, and I keep in touch with my externs afterwards."

Brennehan stresses the importance of the students living with her for the week. "That way you can build up a fairly accurate picture of what

a person does all day, and how you can juggle all those things at the same time. We talk a lot about husbands, babies and cooking as well as work."

"That's the best thing," says Portia Welskel, the organic farmer. "Being with us round the clock shows them the funny nonsense of life. We send them back with one way of putting their knowledge into practice."

## Executive time

## The managers with a magnificent obsession

Michael Skapinker demonstrates that a company's direction is determined by its chief executive's subconscious priorities

Business schools. Authors of management best-sellers. Speakers at management conferences. Journalists writing on this page. We all have one thing in common: we think we know what it is that managers do and how they could do it better.

Yet researchers like Henry Mintzberg, professor of management at McGill University in Montreal, have demonstrated that managers themselves do not know what it is that they do. Ask them, Mintzberg says, and they will tell you that they plan, organise, co-ordinate and control.

Observe them, as he did for a week at a time, and you see something entirely different. Managers rush from one activity to another. Half of their activities last for less than nine minutes.

There has been some discussion about allowing men from Harvard to join the scheme. Some sponsors are strongly opposed. Rosemary Kolodny is less worried, but says: "It isn't so important for them. Men still have so many more opportunities."

"I don't mind, personally," says Baukema. "I think men wouldn't be as socially comfortable participating, and they would be less willing to open up. But getting them in the home would certainly be an eye-opener for them."

"Women are still more responsible for the home, though," says Brennehan. "I think they are more concerned about professional incursions on private life."

"We have years of building relationships with alumni," says Martha Leape, head of Harvard's Office of Career Services. "They are very loyal, and have active graduate associations."

An attorney, Sharon Tisher, became a sponsor this year. "I have been out of touch, but now I've been inspired to make a substantial contribution to the alumnae fund for the first time."

Andrew Jack was the Choate Memorial Fellow at Harvard 1988-89.

## Name-dropping

The third chief executive who let Noel watch him work was Marcel, who owned a manufacturing company 30 minutes away from Montreal.

One thing Noel noticed about Paul over the month he spent with him was how often he mentioned important people's names. "The list included the Prime Ministers of Quebec and Canada and other influential people in business and politics," Noel says. "These names were dropped as if Paul knew the people personally, but he never contacted any of them."

He did, however, spend a great part of his working day talking to less important politicians and lobbyists. He spent far more time building and maintaining contacts than looking at the quality of work his employees carried out. At home, between 4am and 7am, Paul worked on his organisation's budgets and instruction manuals.

Louis spent much of his time with his creative staff at the advertising agency, paying close attention to the detail of their work. He was particularly keen on cutting costs.

Unlike other advertising agencies, his had no expensive carpets or furniture and his employees did not have individual offices. His work dominated his life. He had recently got divorced and seldom took holidays.

At the end of his month with each of the three, Noel asked the question again: "What do chief executives really do at work? To say that they write, speak, phone or meet to play managerial roles remains unsatisfactory. Chief executives do not spend their time arbitrarily but concentrate on activities they feel are crucial to the survival or growth of the firm."

Having someone watching your every move for a month is not to the taste of all chief executives. Twenty turned him down. Three agreed to be observed, however, and Noel has described the results in the Strategic Management Journal.

The first of Noel's subjects was Paul, the head of a non-profit institution set up to help handicapped people live a normal life. Paul himself had lost his eyesight at the age of 23.

The second executive was Louis, the head of a medium-sized advertising agency. He was one of many French-speaking advertising entrepreneurs who prospered in Quebec in the 1970s.

Marcel devoted his time to a wider range of activities than the other two. His attention ranged from new project development to operations, to sales, to personnel management. Much of his time was devoted to customers. He insisted on personally reviewing price quotations given to them.

Noel concluded that by devoting more or less time to particular issues, the chief executives demonstrated to their subordinates which aspects of the company's work they should regard as important.

Paul indicated that gaining political support was more important than serving the organisation's customers. Louis made it clear that keeping costs down should take priority over looking for new clients. Marcel's actions indicated that customer service should be his company's major priority. That was why he looked at all the price quotations himself.

It is always worth examining those activities which the chief executives, surprisingly, insist on carrying out themselves. Noel says. Writing manuals, checking price quotations or designing a television commercial could probably be done by someone more junior. By doing them himself, the chief executive reveals something about the organisation's priorities.

Noel adds that "analysing the activities of chief executives over a month revealed more than continuity; they seemed almost obsessive."

Paul was obsessed with the need to be autonomous and to survive. Hence his attempts to cultivate important political contacts, and also his insistence on writing the organisation's procedure manuals himself. Louis appeared obsessed by the need to make money. By constantly cutting costs he ensured that he did so. But his organisation failed to grow. Marcel was obsessed with quality. Unsurprisingly, his organisation was the most successful of the three.

Strategic Management Journal, Summer 1988.

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Significant experience and proven experience in education administration (preferably in a tertiary institution), staff supervision, program development and educational planning are essential.

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A sound understanding of the issues relating to education, training and employment of Aboriginal people is also highly desirable.

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TECHNOLOGY

Element of surprise in high-tech curriculum

David Thomas finds no haven for tradition in the first of the UK's City Technology Colleges

Anyone wandering into a City Technology College - one of the new wave of technology-oriented schools - is likely to be in for a surprise. CTCs are already among the most controversial of the UK Government's educational initiatives, even though only three are so far in existence - Kingshurst, in Solihull, launched last year, and Middlesbrough and Nottingham, opening this month.

Teachers have signed a no-strike agreement and are to work a five-day year. It is also introducing a strong vocational flavour into its studies. Middlesbrough CTC, for its part, is putting a heavy stress on Spanish. All its teachers will learn it, partly because it is a personal interest of the principal, but also because it is one of the world's most widely spoken languages.

Until the advent of these two, the only working model of a CTC was to be found on a bleak part of the Solihull-Birmingham border. Many people have assumed that CTCs, as one of the Conservative Government's most favoured education projects, will try to reproduce a return to traditional methods. A visit to the Kingshurst CTC soon dispels this misconception. I dropped in on Kingshurst towards the end of one of its regular two-week breaks from the normal timetable. Once a term, the whole school abandons its routine to work on projects around a single theme on this occasion, film.

For the two weeks, the school's pupils are first divided into groups of about 30, with three teachers allocated to each group. Typically, the three will have different specialisms, one being a scientist, another a linguist and the third a historian. They then advise the children, in smaller groups, on different facets of their work. Clint's project on the evolution of cars, for instance, could involve reading up the history of the car, as well as making models in the school's workshop.

The teachers continually assess the children, rating their performance as "basic, intermediate or advanced" in several aspects of their work, such as ability to use equipment, presentational flair and analytical skills. At the end of the project, the assessments are recorded on the school computer and are open to inspection by the parents, who also visit an end-of-project exhibition. Building technology into the heart of teaching is an attitude mirrored in the school's wider curriculum. "Technology is a tool. It is something we use to improve the quality of all our lessons," says Bragg, stressing that she does not see it as a discrete subject segregated from others in the timetable.

First year pupils are given a grounding in what the school calls core skills, such as word processing and working with lathes. After the first year, however, the timetable looks much as in most secondary schools, the difference being that pupils are expected to use their core technological skills in every subject. Another difference is that the children will have much more contact with employers, drawing partly on the school's links with the dozens of sponsors who have added their names to the two principal backers, Hanson and Lucas Industries.

Wind of change in a tunnel with thinking walls

By Andrew Wiseman

An "intelligent" wind-tunnel with flexible walls - for three-dimensional studies of spacecraft and aeroplane models - has been successfully tested by engineers of the Technische Universitat in West Berlin. Sponsored by the German Research Association (Deutsche Forschungsgemeinschaft - DFG), a national body that co-ordinates scientific research, Professor Uwe Ganser, of the university's Institute for Air and Space Travel, says that this work has not only improved wind-tunnel measuring techniques but also saves time. A wind-tunnel is a comparatively simple structure: an enclosed passage through which a controlled air flow is forced at various speeds so that static scale models or their parts can be subjected to aerodynamic tests.



Pupils get their hands on video editing equipment at the Kingshurst CTC

Towards a propulsion system that enables a ship to 'swim like a fish'

A certain amount of envy has always been evident in the expression to "swim like a fish." Inspiration for an improvement in the performance of ship's propellers, or screws, has come from the mode of propulsion used by large fish, such as sharks, and the commonest mammals - whales and dolphins.

Not all fish have the same mode of propulsion. The way the catfish and sharks swim is described as carangiform, meaning that the lateral body movement is greatest at the tail. In addition their tails have a large aspect, which is the ratio of the tail's span to its chord. To imitate this, a mechanical "fined" tail needs to be constructed of a similarly large aspect with a mechanical system that imitates the animal's movements.

Most recently Einar Jakobsen, a Norwegian researcher, has taken out a patent to cover certain aspects of the foil propeller in connection with a rigid horizontal foil wave motor - a closely allied subject. The development of a propulsion system involving a flexible foil has been assisted by progress in reinforced plastics which, according to Professors R. C. and P. S. K. Lai of Glasgow University, combine high tensile and bending strength with great flexibility and good resistance to fatigue. They have been studying which combination of size relation-

ships, materials and modes of motion results in the highest speed and efficiency, and how such propellers can be made and sold. The ships likely to benefit would be below 1,000 tonnes, where the conventional screw propeller gives an efficiency in the region of 60 to 65 per cent. A flexible fin propeller with an aspect of 4, far less than nature has given to sharks and whales, could achieve an efficiency of 70 per cent. Calculations reveal that with an aspect of 10 the propeller should have an efficiency of 85 per cent. An improvement from, say, 62 per cent to 85 per cent would signify

reduce the fuel bill, according to the Offshore Research Focus published by the Department of Energy. Best results are obtained when the fin's heave and pitch are 90 degrees out of step: when one is at its peak the other is zero and vice versa. For a ship of, say, 65 m length such a propeller is a practical possibility. The smaller the amplitude of movement, the more effective the propulsion system, which is all the more advantageous since it is reasonable to assume that a small ship's propeller would not be deeply submerged.

Michael Swiss

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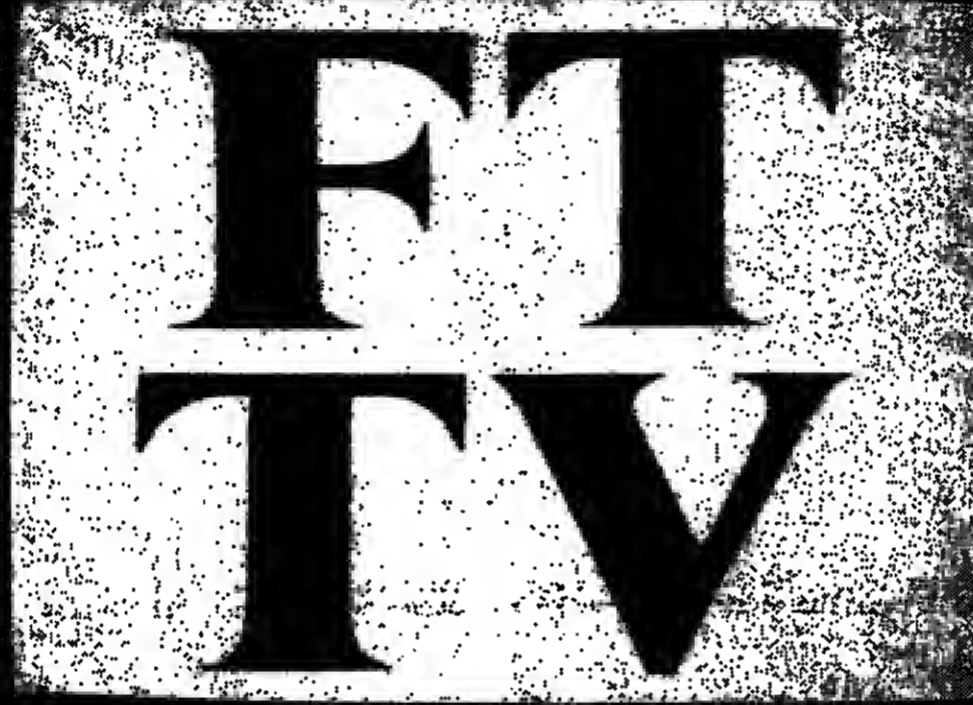
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ARTS

TELEVISION

Pi briefs Om on World War Two

In a galaxy not too far away, lights are burning late in Room UK32 in the Central Broadcast Monitoring Unit below the surface of the planet Uranus. The Chief Monitor, whose name is Om, is conferring with a subordinate, named Pi, who is responsible for analysing all British television output from the planet Earth. The Chief Monitor is anxious to hear what Pi makes of the stupendous increase in the number of war programmes monitored in the past seven days. The reason that Uranus has received these broadcasts so swiftly is that it has learnt to utilise post-Einsteinian phenomena which enable it to scoop its television signals from nearby galaxies at speeds vastly in excess of the speed of light. Otherwise it wouldn't get them.

"So," said the Chief Monitor, "Britain's television screens are suddenly awash in programmes commemorating the outbreak of World War Two 60 years ago? Plays, documentaries, docudramas, archive footage, films, blockbusters, musicals, musicals, musicals. They're overdoing it, aren't they? Do they intend to keep it up? Are they planning to rerun every second of WW2, or just the best bits - Dunkirk and so forth? This could go on for years.

"I have no information on that," Pi replied. "But WW2 was very much the Brits' show. They were fighting an honourable war and they were fighting it on their own. They were the goodies. And the losers were marvellous, as were the uniforms. It's a natural for television.

"Of course they haven't." "I am pleased to hear it. But we have got to be alert. Earth, as you know, is a violent and primitive planet, but it is still extremely precious. Their self-rating is 0.0000000000000001. In the view of the Grand Council, the only chance they have of progressing to 0.0000000000000002 is if the viewers continue to receive a sane and predictable diet of calming entertainment."

"No problem there. The channels are launching their new autumn schedules. On Saturday, on BBC 1, we had The Noel Edmunds Saturday Road Show followed by Bob's Pull House, then 'Allo, 'Allo, then Russ Abbot, followed by All Creatures Great and Small."



Ian McKellen in "Countdown to War"



John Thaw and Robert Hardy in "Bomber Harris"

"Of course he isn't." "And who is Bob?" "That's Bob Monkhouse. He makes jokes about toilets and about Michael Jackson. Then he gives out prizes. He's not funny, either."

"So apart from WW2, things are much as normal on British television?" "You can say that again."

Michael Thompson-Noel

BBC Symphony

ALBERT HALL, RADIO 3

Monday night's Prom, a long and intriguingly varied programme expertly conducted by Oliver Knussen, marked the 75th anniversary of the foundation of the Performing Right Society. Alongside Debussy, Mussorgsky and Stravinsky, all very much Knussen specialties, were his own exuberant Flourish with Fireworks, written last year to welcome Michael Tilson Thomas into his new post with the LSO, and a selection of substantial pieces by Minna Keal and John Tavener.

Keal's Symphony is by no means entirely new, though this was the first public performance of the complete work. Its first three movements were played at an SPOA concert in 1974, and the whole thing was broadcast by Radio 3 last year. Minna Keal's extraordinary return to composition in her eighth decade has been widely told, an awareness of the background and the symphony's genesis. Five years in the writing, makes it hard to separate out the achievement of the work itself.

Davide e Betsabea

TODI FESTIVAL, ITALY

A handsome Teatro Comunale stands squarely in the centre of Todi; but it has been closed - officially under restoration - for years. And Silvano Spada, the energetic artistic director of the Todi Festival, now concluding its third edition, has had to invent performance spaces for the numerous attractions that cram his ten-day calendar.

Cinemas, abandoned chapels, ancient halls, even the main city square have been pressed into service. And, for this year's opening event, the audience was invited into one of the most beautiful Renaissance churches in central Italy, the isolated, harmonious Santa Maria della Consolazione, which if it was not designed by Bramante (as some historians have suggested), is in every way worthy of bearing the master's name.

The work being given there was Nicola Porpora's oratorio Davide e Betsabea (Grove calls her "Bersabea," acutely an error), first heard at Lincoln's Inn Fields on March 12, 1734 and seldom, if ever, heard since. Todi chose to revive the piece also out of local pride, for the librettist was a son of the city, Paolo Relli, long a London resident. Librettist is Handel.

Trisha Brown

BATTERY PARK CITY, NEW YORK

New York, a friend of mine said recently, is now located in a rain forest; this morning it seems to have rained nearly every night. On a rare evening of sublime clarity and coolness at the end of August, the place to be was the World Financial Center at Battery Park City, where the Trisha Brown Company performed at the open-air Plaza beside the Hudson River.

Actually, they performed not only on the stage there, but on the water. Brown revived Raft Piece, which had been performed once only in 1974, on a lagoon at the Walker Art Center in Minneapolis. Trisha Brown has always been known for her choice of unusual venues: her early "equipment" pieces included Man Walking Down the Side of the Building and Walking on the Wall (which consisted of just what the titles said), while Raft Piece took place on a number of rooftops in the SoHo district of New York, the dancers "passing" the movement from one roof to another. Later she made a number of "accumulation" pieces, in which another movement is added at the end of each repetition of a phrase.

Raft Piece combines both kinds of experiment. Like Primary Accumulation, it is performed by dancers lying on their backs, floating on rafts rather than on terra firma. On this occasion, they were not quite on the river itself - that might really have been a one-off event - but in a marina at the river's edge. Even so, the tide was strong enough to carry them to the southern end of the cove, where the dancers imperceptibly carried out their choreographic task, lifting arms and legs, twisting and turning their bodies until the accumulation was completed.

Crossword puzzle grid with clues and answers. Clues include: 'GROWING', 'CORNWALL', 'LINKS', 'SPACE'.

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ARTS GUIDE

THEATRE

London The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock, a sympathetic, semi-phantom recurring character in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (506 2294). The Black Prince (Aldwych). Ian McKellen gives the performance of a lifetime in this Murdoch's distillation of her own Herriot novel. (526 6404). A Flea in Her Ear (Old Vic). Feydeau's farce to the John Mortimer translation superbly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's Loss of Three Ounces. Jim Brown cast as the disgruntled insurance manager and his doppelganger, a drunken hotel porter. (526 7816, cc 240 7200). Veterans Day (Haymarket). Imperfect Donald Freed national-ist-paranoia play about three veterans gathered in a dump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and briefly accommodating Second World War buddy Jack Lemmon (590 9624). M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatique hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The trans-Atlantic tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (779 3359).

New York Heidi Chronicles (Plymouth). Wendy Wasserstein in a ward-winning drama covering 50 years in the life of a successful American baby boomer freed from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional favour of the period (239 6262). Lead Me a Tender (Royal). A spruwing up in the set of a decaying town's big time opera ambience makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200). Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this commendable of Robbins' directed and choreographed

plays of the past 40 years, including On the Town, West Side Story and many others. The South of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway writers who lack the multi-talents that inspired the heyday of the musical. Russells (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slumping dolls and lots of mugging but hollow humour that misfires as often as it hits. Christine Baranski leads an excellent cast in the inevitable but disappointing hit. Cats (Wilder Garage). Still a sell-out. Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually striking and choreographically fine (239 6262). Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in grandeur and drama (239 6200). We and My (Cort). A new musical by the plot turns on ironic industry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0020). Phantom of the Opera (Majestic). Stuffier than Bjornstjerne's guided sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-ensemble from London (239 6200).

September 1-7

In this production by Dorothy London, and her black chaufferer covers the changes in the South over the past several decades (348 4000). Set Magnolias (Royal George). Ann Francis and Maria Bond play the lovers whose daughter's life from under the dry-ers in a busy haberdashery establishment (988 9300). Washington The Cocktail Hour (Elmwood). The original Broadway cast including Nancy Marchand and Renee Caron bring in A. R. Gurney's latest comedy of manners, in which a writer asks his family's permission to write about them. Ends Sept 23, Kennedy Center (202 3201). Gypsy (Kennedy Center Opera House). Tyne Daly takes the Ethel Merman role as the stage mother pushing her daughter into notoriety as a striptease artist in this 50th anniversary revival of the wonderful Stephen Sondheim-Jule Styne musical with songs like "Smell You". Ends Sept 17 (254 3770). Tokyo Kabuki, Kabuki-za. Both the 11.00am and 4.30pm performances are mixed programmes this month. The highlight of the evening show is undoubtedly Cho no Mithyuki (The Lotus-Flower's Aurora), a gorgeous dance piece about two lovers whose transformation into butterflies is a symbol of death. Tickets can be purchased for a single act on the day of the performance and the theatre provides informative English language programmes and earphone commentary (241 2121).

David Vaughan

Ukrainian State Dance Company returns. The Ukrainian State Dance Company is returning to Britain this autumn after an absence of ten years. The tour will open at the Chichester Festival Theatre on October 5 and then visit Bristol, London (the Royal Albert Hall), Poole, Paulton, Dublin and Canterbury. In November, it will appear in Nottingham, Manchester, Blackpool, Sunderland, Leeds, Sheffield, Aberdeen, Glasgow, Edinburgh, Eastbourne, Leicester and Cardiff.











### Sedgwick stays afloat in recession

By Clare Pearson in London

SEDGWICK GROUP, Europe's largest insurance broker, yesterday matched the most optimistic City forecasts when it announced pre-tax profits very marginally ahead for the six months to end-June. A 5 per cent advance to £64.8m (\$101.6m), up from £61.8m, was the best that had been expected given the continuing recession in the industry.

basis, while revenues of £364.2m, from £359.7m, showed an increase of 1 per cent. Earnings per share came out at 10.1p against 9.8p. The interim dividend is maintained at 4p. Interest and investment income rose to £29.4m from £28.7m.

Mr David Rowland, chairman, said insurance market conditions remained difficult although the trends in US insurance rates appeared to be slightly better. This year, North American business had on average been renewed at premium rates 15 per cent lower than 12 months ago. Last year, they were 25 per cent lower.

missions earned during 1988, a highly profitable year for Lloyd's. Mr Rowland also said yesterday that Transamerica of the US, Sedgwick's 39 per cent shareholder, had given notice it would consider itself free to deal in the shares from next March. This followed the expiry of a standstill agreement, dating from Sedgwick's acquisition of James Group, at the end of last month.

### Ahold advances by 40%

By Our Financial Staff

AHOLD, the big Dutch food retailer, boosted net profits in the 12 weeks ended July 16 by 40 per cent to £42.1m (\$13.1m) from £30.1m in the second quarter of 1988, buoyed by strong underlying business and currency translation gains.

of 55 guilders cents plus 10 US cents from 50 guilders cents and 5 US cents a year earlier. Shareholders were also offered the option to obtain one new share for each 100 already held in lieu of the cash pay-out.

### Cockerill offer price set

By Our Financial Staff

SHAREHOLDERS in Cockerill Sambre, Belgium's state-owned steel company, yesterday approved a price of BF220 a share for a public offering of 36m preferred shares with warrants which will raise around BF7.7bn (\$1.88bn).

two new shares had been set at BF250. Mr Gandois said the slight increase in the share issue price reflected the surge in Cockerill's share price that followed the announcement of its capital increase plan.

### Spar Handels helped by regional purchase

SPAR HANDELS, the West German food retailer, said Tuesday its pre-tax profit surged 89 per cent to DM20.2m (\$10.3m) in the first half of 1989.

cent to DM16.2m from DM10.7m, Spar said in an interim report. Sales climbed 47.3 per cent to DM8.58bn from DM2.43bn, mostly because of the merger.

favoured trend in commodity prices, AP-DJ reports. Net income climbed to DM29.3m from DM18.6m a year earlier. Group sales advanced 11 per cent to DM302.8m from DM272.6m, Hertel said in an interim report.

glum's largest commercial bank, and Groupe AG, the country's largest insurer, plan to co-operate in selling life insurance policies, spokesman for the two companies said yesterday.

NEWS IN BRIEF  
from DM10.7m a year earlier, AP-DJ reports.

### ISS courts expansion... and the City's coffers

Hilary Barnes on the Danish building maintenance group's forthcoming London listing and issue



Hilary Barnes on the Danish building maintenance group's forthcoming London listing and issue

THE Danish-based international cleaning and building maintenance group, ISS, is to tap the international markets for equity capital this month, with an issue to be made in London in conjunction with a listing on the London stock exchange.

except ADT (for which goodwill will be written off over 20 years) caused a reduction in equity capital from DKr618m to DKr513m, taking the equity-to-assets ratio to 15 per cent.

Mr Andreassen is not perturbed. "Our cashflow is good. The equity ratio will correct itself in the course of a couple of years through consolidation. But if we are going to continue to expand, we need more money."

Shareholders have received a good deal from ISS, Mr Andreassen believes. Earnings per share have increased from DKr4 in 1984 to DKr36 in 1988, adjusted for share issues, and the dividend has grown from DKr12.6m in 1984 to DKr27.1m last year. The after-tax yield on shareholder's equity last year was 19.7 per cent, down from 22.7 per cent in 1984.

"The potential in hospitals is enormous, but it is not an easy market. We shall use the know-how we gained with Mediclean as the basis for developing services in the rest of Europe," said Mr Andreassen.

period. The cost of the acquisition programme showed up in the first-half interim report, both in the profit and loss account and in the balance sheet. The ADT acquisition was financed by borrowing, which sent net financial costs soaring from DKr3.5m in 1988 to DKr4.7m this year.

FIVE-YEAR RECORD (DKr m)				
Consolidated turnover	Pre-tax profits	Total assets	Dividend payout	Employees (year-end)
1984 4,732	100.4	1,742	12.5	51,940
1985 4,733	103.7	1,721	14.7	56,499
1986 4,981	118.8	2,038	17.5	60,921
1987 5,384	155.7	2,072	21.5	65,821
1988 6,609	202.5	3,126	27.1	100,150

The group has expanded particularly rapidly through acquisitions over the past two years. The biggest of them was ADT, a US cleaning company with 26,000 employees, which cost \$69m. Other acquisitions, in the UK, Germany and Scandinavia, have cost an additional DKr640m over the same

### Finnish insurers end dispute over managing director

THE SUPERVISORY boards of Finland's Vakuutusosakeyhtiö Pohjola and Suomi-Salama insurance companies have appointed Mr Yrjö Niskanen managing director and chairman of the board of management of both companies, ending a long boardroom dispute, Reuter reports from Helsinki.

The row began in May when Mr Niskanen lost his seat on Pohjola's management board after disagreement with then-group chief executive Mr Pentti Talonen, who has since left the company.

The title of group chief executive is to be abolished.

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27 July 1989

**CITIBANK**

INTERNATIONAL COMPANIES AND FINANCE

Japan's shipbuilders again afloat

Profits are expected after a decade of losses, writes Robert Thomson

When Japanese shipbuilders were taking on water after the appreciation of the yen in a glutted global market three years ago, the prospect of profits was far from the thoughts of the industry's Big Six...

the allegations as "unreasonable" and argued that they overlooked the OECD role in co-ordinating the revival of international shipbuilding.

Mr Adam de V. Parr, a shipbuilding analyst at Barclays de Zoete Wedd, said that these

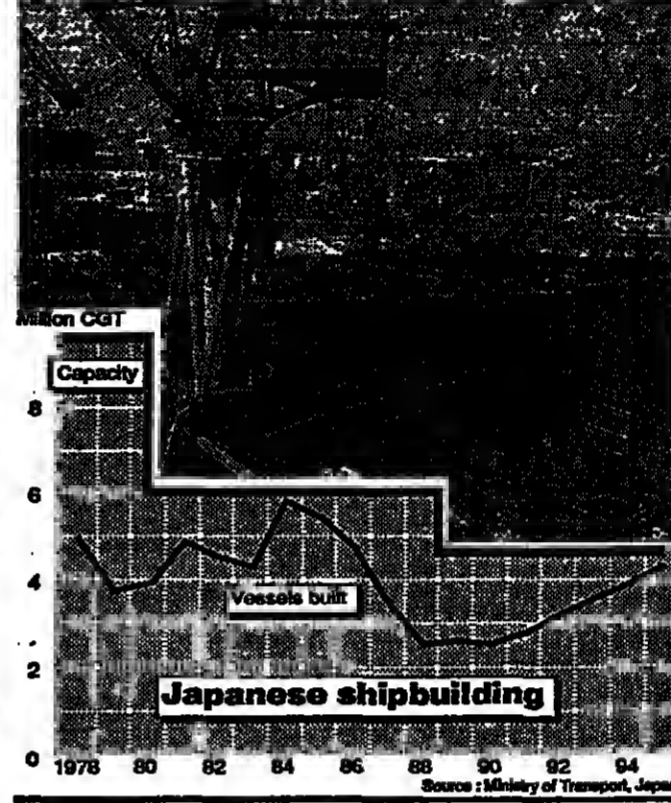
pean makers had about 16 per cent.

South Korean builders are showing the strain of the sharp appreciation of the Won and a less docile labour force. In 1987, the two largest companies, Hyundai Heavy Industries and Daewoo Shipbuilding and Heavy Machinery, could offer a 35 per cent discount on Japanese rates. That margin fell to between 10 and 20 per cent last year...

departure of 18 of 44 companies from the industry, and a 45 per cent fall in the labour force.

Mr Takao Shinohara, director of the Transport Ministry's international affairs office, said that stability came to the industry after the South Korean makers were forced to the negotiating table by serious financial problems.

The Koreans were very ambitious. They had little experience of consulting with foreigners on prices. Two years ago they got many orders at low prices, and now that the Won has risen and labour costs have risen, they want to increase prices...



Source: Ministry of Transport, Japan

increase in their severely reduced capacity. "Let's pretend that we are going through a long tunnel, and see a light. At the moment, we have a back wind pushing our drive," Mr Takahashi said.

was "absolute shock" among Korean companies at the changing terms of reference: "The reply of Daewoo and Hyundai had people on the edge of their seats. There were fears that price cutting might start again, but that hasn't been the case."

Japanese companies argue that they have paid a high price for improved prospects. In April 1987, the Ministry of Transport enforced the anti-union Law Concerning Operation Stabilisation of Designated Shipbuilding Enterprises...

CRA sets earnings record of A\$312m

By Chris Sherwell in Sydney

INCREASED PRODUCTION and higher prices for iron ore, zinc and diamonds have helped CRA, the Australian resources group, to beat last year's record interim earnings by 37 per cent.

The company, 45 per cent owned by BHP Corporation of the UK, reported equity-accounted earnings of A\$311.9m (US\$238.5m) for the six months to June, up from A\$227.6m in the same period last year.

The figure includes a A\$1.5m equity contribution from associates, which came principally from its new Pasamuco zinc and lead joint venture with North Broken Hill Peke. Group sales, at A\$2.57bn, were down from A\$2.65bn last year, when zinc operations were included.

A breakdown of the figures showed increased profits from the Hamersley iron ore operation, the Argyle diamond mine and Pasamuco, all due to significantly increased output and sharply higher prices.

These were partially offset by lower contributions from the group's coking coal operation and the troubled Bougainville Copper mine, which attempted unsuccessfully to reopen yesterday, and a static performance from the Comalco aluminium group.

CRA enjoyed lower financing costs, because its strong cash flows earned higher-interest income and enabled debt repayments of almost A\$300m. However a stronger Australian dollar than in the first half last year reduced revenues for products priced in US currency by 8 per cent.

The figures also showed an extraordinary item of A\$38m, reflecting the sale of its remaining 11 per cent share in Metal Manufacturers, the Australian subsidiary of BICC of the UK.

Overall, earnings per share rose to 54.7 cents before extraordinary items, up from 40.7 cents. Directors declared an interim dividend of 20 cents per share, fully franked, which compares with an unfranked interim dividend of 18 cents last year.

On the outlook, the group said supply factors had been the dominant cause of price movements, and this was expected to continue into next year. Results "should continue to be satisfactory."

MARKET RESEARCH

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Project Finance Group

August, 1989

UIC sells QAF holding

UNITED INDUSTRIAL Corporation (UIC), a Singapore listed conglomerate, has sold its 19.2 per cent holding in QAF, a food-based investment group, for about S\$33.6m (US\$17m). Renter reports from Singapore.

adding that there were no deferred payment terms. UIC is to use the proceeds to reduce existing borrowings and for working capital. Brokers said the QAF shares were taken up by several investors including Hong Kong fund managers.

Sumitomo Bank to raise Y183bn

SUMITOMO BANK of Japan is to offer 50m new shares to the public, expecting to raise around Y183bn (\$12.7bn) for working capital, Renter reports from Tokyo.

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BARCLAYS BARCLAYS OVERSEAS INVESTMENT COMPANY B.V. U.S. \$350,000,000 Guaranteed Floating Rate Notes due 2004

BNP Mortgages Limited Money Market Mortgages The rate for these mortgages for the quarter beginning 3 September 1989 will be 15.125% (APR 16.3% variable)

CIR International S.A. Italian Lire 125,000,000,000 Guaranteed 7% Convertible Bonds Due 1998

NOTICE TO THE WARRANTHOLDERS TOYOTA TSUSHO CORPORATION (formerly called Toyota Tsusho Kaido, Ltd.)

Bank of Ireland U.S. \$300,000,000 Undated Variable Rate Notes

MOBILE COMMUNICATIONS The Financial Times proposes to publish this survey on: 20 SEPTEMBER 1989



INTERNATIONAL CAPITAL MARKETS

Treasuries lose ground as inflation fears resurface

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds fell yesterday morning amid concern about the outlook for interest rates.

With this in mind, coupled with a slight rebound in consumer spending and the improving trade balance, the markets clearly feel that the Fed would not feel justified in easing monetary policy any further.

could be done by a wave of overseas selling, as well as by the interest rate implications of softness in sterling.

GOVERNMENT BONDS

came in response to a press report suggesting that some of the US Federal Reserve's regional bank governors are considering raising interest rates and that inflationary pressures could start to rise again.

Co-ordinated intervention by the Fed and other central banks to brake the rise barely took the dollar off its highs.

TURNOVER in the German market, trapped in a lull, remained sluggish despite the launch of a new federal issue with an unexpectedly generous 7 per cent coupon.

The DM4bn 10-year issue is priced at 101 1/4 and was bid at around 101 towards the end of the afternoon.

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, Week ago, Month ago. Includes US Gilts, US Treasury, Japan, Germany, France, Canada, Netherlands, Australia.

London closing, denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Large table listing international bonds with columns for Country, Coupon, Maturity, Price, Change, Yield, Week ago, Month ago. Includes US Dollar, Yen, Swiss Franc, Deutsche Mark, and various international issues.

Convertible Bonds: Described in dollars unless otherwise indicated. Chg. day - Change on day. Conv date - First date of conversion into shares. Conv. price - Nominal amount of bond per share expressed as percentage of share at conversion rate listed at issue.

Novotrade Pre-tax profits (Forints m) 1983 84 85 86 87 88. Hungarian issue cues Western rhapsody. In what is regarded as a test case for future Hungarian businesses seeking capital in the West, a small private company has successfully issued shares through Grozentrale, Austria's second largest bank.



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INTERNATIONAL CAPITAL MARKETS

Options market heads for radical reform

By Katharine Campbell

HOW LONG is an umbilical cord? The London Traded Options Market hopes that it has crafted a new arrangement with its parent, the International Stock Exchange...

equity markets on which it feeds, and can feed much more. The lynchpin of the structure is the proposed seat system, which both raises capital for a resource-starved exchange...



Mr Geoffrey Chamberlain: 10-year plan

an eleven-year-old floor system. A relatively independent LTO should also create a more equal partner in the joint discussions with Liffe. Mr Hugh Smith said he hoped that Liffe, which is still searching for new premises, would decide within the next month whether to move onto the existing floor...

committee appointed by Mr Hugh Smith. One major addition to Mr Chamberlain's ideas is the insertion of a supervisory board, chaired, on a non-executive basis, by Mr Hugh Smith or one of the ISE deputy chairmen.

Japanese tax bureau censures four banks

By Robert Thomson in Tokyo

FOUR OF Japan's largest banks have been ordered to pay additional tax on profits transferred to less-making London and other foreign operations in an attempt to disguise the extent of losses made around the time of the October 1987 stock market crash.

as an emergency. A big crisis like that comes once every 50 years," he said. He added that the decision was made to reduce the book losses in London because "we did not want the customers of our securities firm to worry."

Kansei seven-year straight dominates quiet trading

By Andrew Freeman

EUROBOND MARKETS were quiet yesterday, with a \$800m seven-year straight deal for Kansai Electric Power dominating restrained new issue activity. Many syndication departments are concentrating on deals likely to be launched early next week.

Table with columns: Amount m, Coupon %, Price, Maturity, Fees, Book runner. Includes entries for Kansai Electric Power, Credit Lyonnais, etc.

terms of its \$300m convertible issue for MCA and was quoting the bonds at 99 1/2 bid, inside full underwriting.

Swiss fund assets up 11%

By John Wicks in Zurich

SWISS INVESTMENT fund assets at the end of June 1989 totalled Sfr39bn according to the Swiss national bank. This was 11 per cent higher than the level registered for mid-1988.

compared to 101 a year earlier. The number of outstanding certificates in Swiss funds went up from 254,500 to 275,700. In the final three months of the year, however, redemptions rose to Sfr1.28bn, comfortably outstripping the Sfr1.1bn accounted for by new money.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: Index No., Day's Change, Est. Earnings Yield, Gross Yield, P/E Ratio, etc. Lists various equity groups and sub-sections.

Table with columns: Index No., Day's Change, Est. Earnings Yield, Gross Yield, P/E Ratio, etc. Lists fixed interest instruments.

Table with columns: Index No., Day's Change, Est. Earnings Yield, Gross Yield, P/E Ratio, etc. Lists price indices.

LONDON MARKET STATISTICS

Table with columns: Rises, Falls, Same. Lists various market statistics.

LONDON RECENT ISSUES

Table with columns: Issue, Amount, Date, etc. Lists recent issues.

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Date, etc. Lists fixed interest stocks.

RIGHTS OFFERS

Table with columns: Issue, Amount, Date, etc. Lists rights offers.

TRADITIONAL OPTIONS. First Dealings Aug 21, Last Dealings Sep 8, etc.

LONDON TRADED OPTIONS

Table with columns: Issue, Amount, Date, etc. Lists London traded options.

LESOTHO

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The Financial Times proposes to publish this survey on: 29 SEPTEMBER 1989. For a full editorial synopsis and advertisement details, please contact: JEREMY M BAULF on 01-873 4026

**UK COMPANY NEWS**

**IMI profit lifted by foreign spread**

By Richard Tomkins, Midlands Correspondent

IMI, the Birmingham-based industrial group, surprised the City yesterday with a 24 per cent increase in pre-tax profits to £60.1m (£48.5m) for the six months to June.

There had been fears that the company's long run of strong profits growth might be dampened by inflationary pressures and high interest rates in the UK. Gary Allen, managing director, said: "It just shows that you can keep up the momentum of profits and volume growth in spite of high interest rates and the perceived gloom."

The shares put on 12p to 251p.

IMI's profits growth mirrored a 24 per cent rise in sales from £434m to £540m. Earnings per share rose 21 per cent to 12.1p (10p) and the interim dividend has been raised at the same rate from 3.15p to 3.8p.

Mr Allen said IMI's ability to maintain strong growth against an unfavourable background illustrated its success in reducing its susceptibility to the UK economic cycle. Just over 50 per cent of IMI's sales were now overseas, he said. "The boom in West Germany has had much more effect on us than Britain's rising interest rates."

Sales rose across all divisions, with about 10 per cent of the increase attributable to exchange rate benefits and the rest to a combination of higher copper prices, acquisitions and genuine volume growth.

The strongest, and most surprising, advance came in the building products division



Gary Allen: reduced susceptibility to the UK economic cycle

which increased profits from £8.3m to £10.5m. It had earlier looked susceptible to the downturn in the UK housing market.

Mr Allen said the wide geographical distribution of IMI's building products, together with the division's orientation towards the commercial sector, had protected it from the worst. Reductions in the cost base had also enabled it to export to West Germany.

The drinks dispense division, operating under the Cornelius banner, operated in a flat US

market but enjoyed buoyant demand in Europe amid warm weather conditions. Its profits rose from £10.5m to £11.5m.

The fluid power division, making pneumatic equipment for industry, saw a softening of UK demand, but only 25 per cent of its sales are in Britain. Demand held up in the rest of Europe and the US, taking profits up from £14.6m to £17.5m.

The remaining operations included a particularly strong performance from titanium refining. Mr Allen said the ref-

ineries were working flat out to meet strong demand from the aerospace industry, and in particular from Rolls-Royce.

Sir Eric Pountain, IMI's non-executive chairman, said although inflationary pressures and high interest rates in Britain warranted some caution for the second half, IMI's product portfolio, geographic spread and sound balance sheet provided an excellent base for the short and longer term.

See Lex

**BASE METALS**

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	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Adscens Group	4	Oct 17	2.6	6	4.5
ADT	5.955	Jan 5	4.9	10	15
Beattie (James)	1.2	Nov 1	1.1	2.3	4.5
Booker	6.5	Jan 2	6	12.5	16
Brasmer	4.5	Oct 19	4.5	9	13
Canlove	2	Nov 9	1.5	3.5	2.25
CRH	1.75	Oct 7	1.5	3.25	4.5
Fairley Group	2.4			2.4	
Gowings	2.25	Nov 9	2.34	4.59	4.5
Hestair	3.8	Jan 2	3	6.8	7.8
Home Count News	2.5	Oct 16	1.675	4.175	5
IMI	3.8	Oct 16	3.15	6.95	8.15
Int Colour Mgt	0.95		0.8	1.75	0.8
Lopez	2.9	Oct 27	2.4	5.3	6
Metal Closures	2.35	Dec 1	2.35	4.7	8.15
Olives Holdings	3		nil	3	nil
Osprey Coats	2.4	Oct 24	2	4.4	3
Pearl Group	7.5	Oct 20	8	15.5	15
Peck	1	Jan 4	0.9	1.9	3
Peters (Michael)	2	Dec 15	2.2	4.2	3.7
Provident Fincl	7	Nov 9	8	15	18
Rapier	2	Dec 28	3	5	7.25
Sedgwick Group	4	Oct 27	4	8	12
Severfield-Reeve	1	Oct 30	0.75	1.75	2.75
Systems Rehab	0.75	Nov 1	nil	0.75	1
Taylor Woodrow	1.75	Oct 3	1.5	3.25	7.5
Tozer Kennedy	1.5	Oct 27	1.5	3	3.8
Wywale Garden S	1.8	Oct 27	1.4	3.2	4.5

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡US stock, §In quoted stock, ¶Third market, ††Irish currency, ‡‡ US cents. Scrip option.

The Financial Times proposes to publish the following surveys in 1989:

- 23 August : Zimbabwe
- 28 September : Botswana
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- 24 October : Zambia

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FINANCIAL TIMES  
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**SEVERFIELD-REEVE PLC**

Six months ended 30 June 1989

**Turnover up 45% to £6,196,000**

**Profit up 77% to £946,000**

**Earnings per share up 57% to 6.47 pence**

**Interim dividend up 33% to 1.00 pence**

The level and quality of enquiries for fabricated steelwork remains high, with the current order book higher than ever before. A second production line is now operating providing a total annual production capacity of 20,000 tonnes. The directors are confident for the remainder of the year and beyond, with the company well placed to compete for larger projects.

The interim report is available from the Secretary, Severfield-Reeve Plc, Dalton Airfield Industrial Estate, Dalton, Thirsk, North Yorkshire YO7 3JN.



**IMI**  
More sparkling results

"These results underline the success of IMI's strategy of establishing and developing businesses which have technical leadership across world markets."  
SIR ERIC POUNTAIN, CHAIRMAN

**IMI HALF YEAR RESULTS 1989**

Sales	UP 24%	TO £540m
Pre-Tax Profit	UP 24%	TO £60.1m
Earnings per share (before extraordinary items)	UP 21%	TO 12.1p
Interim Dividend	UP 21%	TO 3.8p



UK COMPANY NEWS

# Unanswered questions about Eagle Trust

Philip Coggan sets out the issues which remain unresolved by recent revelations

The weekend interview with Mr John Ferriday, former chairman and chief executive of Eagle Trust, appeared to confirm what other evidence had been suggesting for many weeks. The Sunday Telegraph quoted him, from an undisclosed location outside the UK, as describing how Eagle loans were used to finance the purchase of its own shares and telling the story of the £18.5m apparently missing from Eagle Trust.

But Mr Ferriday's statements raised as many questions as they answered and provoked speculation that the SFO will need to widen its inquiries beyond the search for the £18.5m. Mr Ferriday has not responded, over several weeks, to Financial Times inquiries but these are among the issues which have yet to be resolved.

How exactly was the transaction organised? Mr Ferriday, in his explanation of events, cited Automotive Industries (UK) as the vehicle through which funds were passed to Swiss Bank Corporation, the organisers of the rights issue, which was launched to fund the £45m purchase of Samuelson, the TV and film company. But SBC says it received payments of £13.5m on the instructions of Anser General Investments, a Panamanian registered company. Who owned Anser?

In addition, Mr Ferriday is quoted as bailing out sub-underwriters - "genuine people, honest and trustworthy City people who did not deserve their fate" - from bankruptcy. Who are these people? Can

they confirm Mr Ferriday's version of events?

Who now owns the shares that were acquired in the sub-underwriting support scheme? Have they been used as security for loans, as is believed by some involved in the Eagle affair?

The shares are believed to be held in the name of Standard Chartered Nominees, shown on the share register of July 1988 as holding two accounts of 46.17m shares and 15.68m shares respectively.

If Mr Ferriday personally relieved the sub-underwriters of their commitments, as he stated in the weekend article, that would have left him with a minimum of 45m shares, given that the rights shares were issued at 30p. However, Mr Ferriday is listed in the circular which announced the purchase of Samuelson as owning nearly 22m shares, as of November 5 1987. By the 1987 year end Eagle's annual report shows him as owning a mere 36m shares.

The totals that Mr Ferriday reported do not tally with his statements about the underwriting and there is no record of him declaring the purchase (or subsequent sale) of the shares, as Stock Exchange's rules, in the so-called Yellow Book, and the Companies Act 1985 required him to do.

What happened to Mr Ferriday's other business interests? Mr Ferriday was reported as saying that "I taxed and raped every single source of funds I had" to help bail out the sub-underwriters. Did this taxing and raping involve Paramount Airways, the company in which Mr Ferriday and Mr



John Ferriday: his statements raised as many questions as they answered

Smith had a controlling interest, and which has been placed in the hands of the administrators? The administrators say that several million pounds of funds cannot be accounted for at Paramount.

Should the Latorza transaction have been disclosed to shareholders?

Mr Ferriday was reported as saying that the outflow of £13.5m from Eagle was made

good by the injection of Automotive Industries (UK) - described in the article as "one of his private interests" - which had acquired a half share in Latorza, a car manufacturer and distributor, for \$9.8m.

This explanation is somewhat complicated by Mr Ferriday's reported statements that Eagle acquired only an option in AI (UK) and that the stake in Latorza was "worth far more than £13.5m". There is also the baffling statement in the article that Mr Ferriday retained the "9.8m liability himself as he had not paid for it". Did Mr Ferriday own Automotive Industries and the Latorza stake or not? If he did, then surely the purchase was a Class 4 transaction, as defined by the Yellow Book. A Class 4 transaction includes "an acquisition or disposal of assets by the company or any one of its subsidiaries from or to a director or substantial shareholder or an associate thereof."

Even an option to purchase AI (UK) would appear to fall under the description of "a transaction under which the company or any one of its subsidiaries is to take an interest in a company, whether existing or about to be formed, any part of the equity share capital of which has recently been, or is to be acquired, whether by subscription or otherwise by a

director or an associate thereof." A Class 4 transaction, adds the Yellow Book, requires that a circular be sent to shareholders and that the transaction be approved at a general meeting of shareholders. In the case of Latorza no circular was sent or meeting held. If a circular had been sent then shareholders might have been able to judge, from Latorza's accounts, exactly how much the stake was worth.

What was the position of the other directors?

Mr Ferriday is quoted as saying that his partner Mr Richard Smith "is aghast at what I did." When was Mr Smith told? Did he then inform the appropriate authorities? Mr Smith has so far declined to comment.

If the other directors of Eagle accepted the explanation that monies had been used to acquire Automotive Industries (UK) and thereby a stake in Latorza, what were they told about the ownership of AI (UK)? If they were told AI (UK) was owned by Mr Ferriday, why did they not insist on a circular because it was a Class 4 transaction?

## Disposals bring in CS50m for Tate

By Clay Harris

REDPATH INDUSTRIES, the Canadian sugar refiner taken into full ownership by Tate & Lyle, the UK-based sweeteners group, earlier this year, has sold three subsidiaries for C\$50m (£27.5m). The disposals had been planned when Tate paid £140m for the 49.9 per cent minority in Redpath.

Daymond Vinyl and Heartland, manufacturers of vinyl siding, were sold to Toronto-based Jamcock, and Daymond Aluminium, which makes extruded aluminium products, was sold to Alumina Products. Together, the operations made pre-tax profits of C\$7.2m in 1988.

Redpath has yet to sell its considerably larger automotive business, which makes injection-moulded plastic components for car interiors. This disposal is expected to be completed before the end of 1989.

### Cons Venture Trust

Consolidated Venture Trust announced pre-tax revenue of £110,000 (£41,000) for six months to July 31 1989. Net asset value was 370.3p (309.5p).

## PSIT Property Security Investment Trust plc

SCRIP ISSUE DIVIDEND UP

- Extracts from the statement by the Chairman, Mr A. R. Perry.
- Profit before tax up from £5.8 million to £6.3 million.
- Total rents up from £9.3 million to £11.1 million.
- Additional phase of hi-tech units and office block at Chineham Business Park.
- Pre-let extension for Canon in Belgium well advanced.
- Group's investment properties up from £170 million to £232 million.
- Net asset value up from £1.85 to £2.50 per share.
- Dividend increased from 3.25p to 3.75p per share.
- Scrip issue 1 for 5.
- Directors expect to propose same dividend on increased capital for year to 31st March 1990.

### Results for the year ended 31st March 1989

	£000's	1989	1988
Rents receivable		11,117	9,259
Net property income		10,256	7,957
Profit before tax		6,317	5,833
Ordinary dividend per share		3.75p	3.25p
Share capital and reserves		192,320	143,987

Copies of the complete Report and Accounts may be obtained from G H Gaines, Financial Director, Fetcham Park House, Lower Road, Felcham, Surrey, KT22 9HD.

## TKM hits £21m but warns on outlook

By John Thornhill

TOZER KEMSLEY & Millbourn (Holdings), the motor distributor in which Sir Ron Brierley's IEP has a 67 per cent holding, lifted pre-tax profits by 19 per cent from £17.85m to £21.24m in the half-year to June 30, helped by continuing strong demand in all its markets.

However, the company warned that high interest rates were beginning to affect trading conditions and it expected a levelling off of sales after August.

Mr Reg Heath, chief executive, said he thought national car sales in August might have tipped the half million level. "For the rest of the year, I think the market will remain buoyant but margins will come under more and more pressure as manufacturers try to get their cars sold. That will lead to reduced margins but fantastic deals for customers," he said.

In April, TKM acquired the exclusive distribution rights for Subaru in Australia. TKM already owns a Ferrari agency in the country and is planning further expansion.

During the period, TKM's interests in France were disrupted by relocation. Although this had an impact on short term profitability, Mr Heath said it would enable TKM to expand further on the Continent in the future. TKM currently runs eight retail dealerships in France and derives

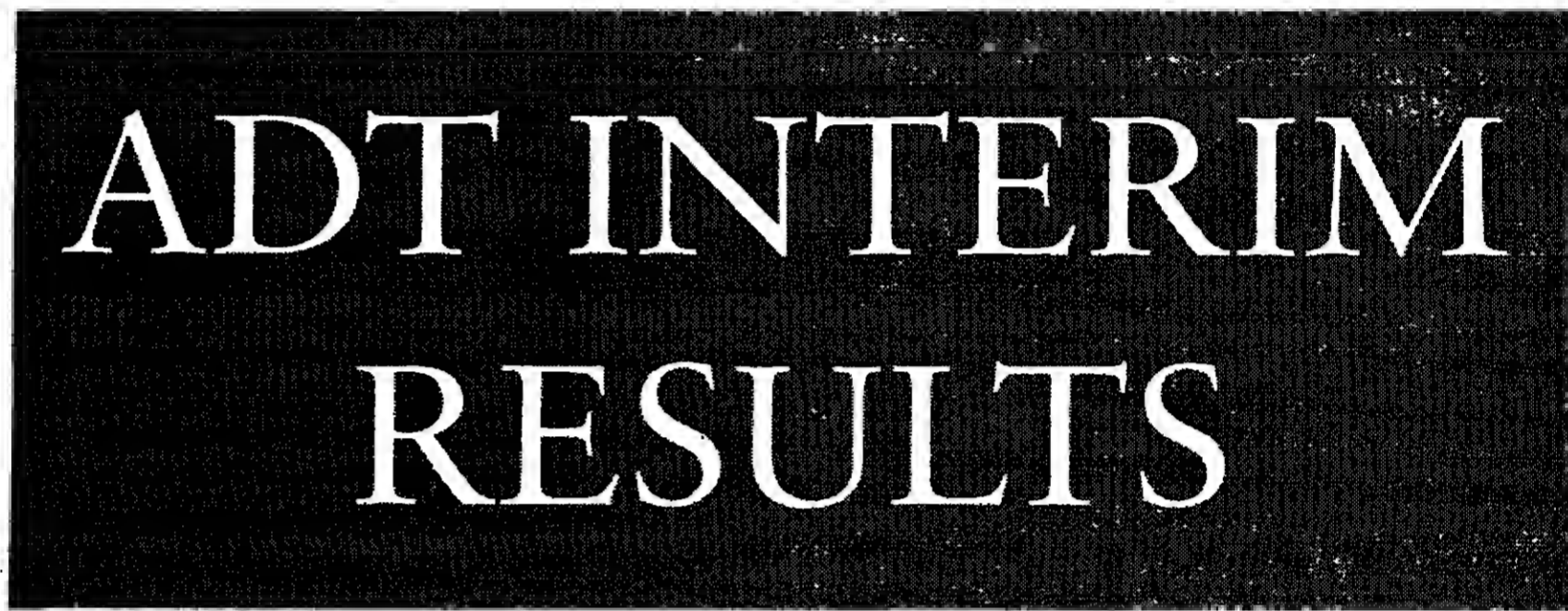
over a quarter of its profits from overseas interests.

Turnover was up by 9 per cent to £516.21m (£475.21m) and an exceptional gain of £1.7m resulted from the sale of investments.

The interim dividend has been raised by 50 per cent to 1.5p. Earnings per share grew to 5.9p (4.9p) - adjusted for a bonus issue.

### COMMENT

TKM is one of the higher rated stocks among motor distributors and yesterday's results give an indication of why this is so. The company's broad spread of interests, both in geographical and market terms, gives a more solid defensive edge than most motor groups can show, and this will become of increasing value as times grow stickier. Sales in August, according to TKM, were strong, but several indications would seem to suggest that the much-heralded slump in car sales will finally arrive in September. TKM cannot expect to emerge unscathed but it still might emerge less bruised than others. Another factor that will help support TKM in the market is IEP's holding which has been creeping up again of late. Sir Ron Brierley's mysterious machinations are as opaque as ever but they can do no harm to TKM's share price. Pre-tax profits for the year should rise to about £51m giving a prospective multiple of around nine.



"Significant strengthening of the balance sheet has been achieved by a very positive earnings performance, the injection of new capital and the disposal of the remainder of the Company's maintenance activities"

Michael A. Ashcroft  
Chairman and President

Interim Results to June 30 1989	Unaudited 6 months to June 30 1989 US\$m	Unaudited 6 months to June 30 1988 US\$m	Audited year ended December 31 1988 US\$m
Income before income taxes	105.8	80.1	219.0
Net income	166.6	131.8	301.3
Shareholders equity	831.1	415.3	533.0
Fully diluted earnings per common share	11.3c	9.1c	26.0c



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### NEWS DIGEST

#### Ropner boosted by dry weather

PROFITS OF Ropner, with interests in engineering, garden products, insurance broking, property development and shipping, rose from £2.58m to £2.85m pre-tax for the half year ended June 30.

Turnover was down marginally from £30.75m to £29.95m. Earnings worked through at 7p (5.8p) and the interim dividend is a same-again 3p.

Dry weather in the months of May and June boosted sales of the garden products division (profits here rose from £1.72m to £2.01m) and shipping benefited from an improved freight market and a contribution from the Scruttons associate - the division's profits rose from £585,000 to £1.85m.

Engineering showed improved results, reflecting the absence of losses attributable to Airtach, but conditions remained difficult in insurance broking and the division will not have a profitable year.

#### All-round organic growth at Gowings

All-round organic growth, with good progress in its motor division and the leisure division having an exceptional first half, saw Gowings lift pre-tax profits 69 per cent from £301,000 to £510,000 in the first half of 1989.

#### Beattie checked by spending downturn

With trading profits adversely affected by reduced consumer spending, James Beattie, department stores operator, benefited from a doubling in interest receivable and so emerged with pre-tax profits up 10 per cent from £2.35m to £2.59m in the half year to July 31.

The directors said the long hot summer and the refurbishment of the Wolverhampton store also contributed to the trading downturn. Trading profits declined from £1.68m to £1.38m but interest receivable rose from £595,000 to £1.22m. After tax of £508,000 (£822,000) earnings per share came out at 3.64p (3.31p). The interim dividend is increased 1.2p (1.1p).



UK COMPANY NEWS

A fall in British housing profits is offset by strong growth in overseas earnings  
**Taylor Woodrow improves 27% to £43.2m**

By Andrew Taylor, Construction Correspondent

**STRONG GROWTH** in overseas housing and commercial earnings helped pre-tax profits of Taylor Woodrow, the British property, housing and construction group, to rise by 27 per cent to £43.2m during the six months to the end of June.

A fall in British housing profits meant that UK profits overall were only about the same level as first half profits last year, said Sir Frank Gibb, Taylor Woodrow's chairman and chief executive.

Group turnover during the first six months rose by 16 per cent to £641m (£551m) and earnings per share improved by 28 per cent to 6.5p (5.1p). The interim dividend is being increased from an adjusted 1.5p to 1.75p.

Sir Frank, who is due to retire at the end of this year, said international housebuild-

ing profits had been boosted by very strong sales in Canada. Property disposals there and in Australia had also helped to increase overseas profits which had risen by approaching £18m during the first six months.

Sir Frank said a sharp fall in British housebuilding, particularly in southern England (Taylor Woodrow builds most of its houses south of Cambridge), had wiped out profit gains from the group's other UK construction and property interests.

He said UK commercial property profits had increased due to higher rents but profits from UK property disposals were about the same level as during the first half last year.

The Greenham building materials and tools and equipment businesses in the UK also increased profits during the first half, said Sir Frank.

An exceptional item of £8.2m, taken below the line, reflected charges against losses from the sale of underperforming businesses including previously loss-making Seaforth Maritime.

The group said gearing had risen to more than 20 per cent as a result of the purchase for \$45m of a large development site in London's Kensington and the acquisition for £25m of an industrial property portfolio from Peachey property group.

**COMMENT**

Taylor Woodrow has a large treasure chest of property developments, many of which it has owned for a long time. It has by its own admission the ability to step up property sales and take profits when other parts of its housebuilding and construction business fall on hard times. This is clearly

happening at the moment to the UK housing operations where sales are expected to be down by about a quarter this year. Fortunately for Taylor Woodrow, its international housebuilding operations should more than compensate for this fall with California in particular expected to produce excellent results in the second half. Expect more from UK property disposals in the second half while contracting results should also be a little better this year given the absence of provisions which marred last year's figures. Analysts expect full year profits for the group to be between £125m to £130m which would put the group on a pe of 11 to 11.4. The unlocked value of its property portfolio justifies this rating but do not look for further gains in the present climate.



Sir Frank Gibb: profits boosted by sales in Canada

**NPI takes legal advice on Stead & Simpson bid**

By Philip Coggan

**MR BERNARD PRAX**, investment manager of National Provident Institution, the mutual life company, said yesterday that the group was taking legal advice on whether it could take any action against the board of Stead & Simpson, the footwear retailer which recently agreed to a bid from Clayform Properties.

NPI is unhappy at the 152p offer for the ordinary non-voting shares, which followed a letter from Mr Frank Chamberlain, Stead's chairman, advising shareholders to take no action at a time when the price was 174p.

The offer for voting shares, in contrast, is £21.55 per share, based on the ratio of the two share prices in the six months before Stead announced it was in bid talks. The ratio was set by the Takeover Panel.

Mr Prax said: "Our gripe is really with the Takeover Panel and with the Stead & Simpson board." NPI points out that Stead & Simpson, rejected an offer worth 161p per non-voting share in 1988, yet accepted an offer only 1p higher one year later.

The Stead board has argued that, after the 1988 bid, Clayform held 41 per cent of the ordinary shares and thus there was the possibility that it could have gained control through the market.

**BTR in US expansion**

**BTR**, the industrial holding company, is to buy a US air and oil filter manufacturer for \$2.4m (£1.5m). The acquisition of North American Filter will be made via BTR's subsidiary, Vokes, which manufactures similar filtration products in the UK.

North American Filter, based in Newark, New Jersey, designs, manufactures, and markets industrial filtration systems and has been a Vokes licensee since 1988. Vokes is planning to expand North American Filter's factory from 20,000 sq ft to 70,000 sq ft and to build its turnover up to \$10m by 1990.

**Dubilier helps lift Peek to £5.8m in first six months**

By John Ridding

**PEEK**, the electronics and industrial holding group, yesterday announced pre-tax profits of £5.83m for the six months to June 30, more than double the £2.44m achieved in the 1988 half.

The results were lifted by a contribution of about £2.3m from the Dubilier connector businesses which Peek acquired in mid-1988 and by contributions from Transyt, manufacturer of traffic control systems.

However, Edac, Dubilier's North American subsidiary, suffered from a downturn in the US computer and tele communications industry and fell well short of expectations.

Mr Kenneth Maud, chief executive, who has built the group up from a shell company over the past three years, said Edac achieved "only about 20 per cent of what it made in the same period last year."

Group turnover increased from £15.08m to £35.07m and earnings per share rose from 3.47p to 3.83p. There is an interim dividend of 1p (0.9p).

Viscount Slim, chairman, said the balance sheet remained strong with a net cash position at the end of the period in excess of £14m. This resulted in a sharp increase in interest receivable from £212,000 to £1.16m.

The company said its cash resources would be used to increase the critical mass of its core businesses through selective acquisitions and the investment in new products.

Despite the problems at Edac and a below budget performance from Polytechnic Elec-

tronics, manufacturer of navigation equipment, the communications and navigation division contributed more than half of group profits. The traffic and data division, which accounts for about 26 per cent of group profits, saw a strong performance from Husky Computers.

The measurement and control division was supported by the Computer Instruments subsidiary. However, expenditure from the UK water authorities did not arise as anticipated.

**COMMENT**

Peek's impressive rate of growth under the guidance of Mr Maud is slowing as a result of Dubilier's difficult markets. Edac is clearly the worst affected subsidiary, but UK and European markets have also started to soften and will limit profits at Greenpar. But the group has already got what it wanted most from the acquisition - namely the £25m net cash - and is probably looking to sell the connector businesses. Strong performances are expected from Husky and the group's instrumentation companies but the connector market downturn and disappointments at Polytechnic have prompted a downward revision in full year profits from £13.5m to £11.8m. Shares have been falling steadily in the last month and shed another 6p yesterday to close at 93p. At this price they are on a prospective multiple of 8. This is low but probably fair until there is a better indication of where the next boost to growth will come from.

**Allied Entertainment takes 20% stake in British and American**

By John Ridding

**Allied Entertainment Financial Services**, a private company controlled by Mr Harvey Goldsmith, the entertainments promoter, and Mr Edward Simmons, one of the founding directors of Brent Walker, has taken a 20 per cent stake in British & American Film Holdings.

B&A, which was created by Sir John Woolf, the film pro-

ducer, is an investment holding company. It also has a film library which includes The Odessa File and Day Of The Jackal.

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**TOZER  
KEMSLEY &  
MILLBOURN  
(HOLDINGS) plc**

SUMMARY OF INTERIM RESULTS	30 June 1989	30 June 1988	Percentage Change	Year 1988
SALES	£516.2m	£475.2m	+8.6%	£984.5m
PRE-TAX PROFITS	£21.2m	£17.8m	+19.0%	£44.1m
EARNINGS PER SHARE	5.9p	4.9p*	+20.4%*	11.7p*
DIVIDEND	1.5p	1.0p	+65.0%*	4.0p

\*Adjusted to take account of one for ten bonus issue in May 1989.

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- Mazda (UK and France)
- Subaru (Australia)
- Cooper Group
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- Wadham Stringer
- H.A. Fox
- Kennings
- Kenning Leaseline
- Kenning Car and Van Rental
- Kenning Tyre Services
- Property and leisure developments

A copy of the TKM Interim Results may be obtained from The Company Secretary, Tozer Kemsley & Millbourn (Holdings) plc, 1 Lygon Place, Ebury Street, London SW1W 0JR, Telephone (01) 730 0288



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By order of the Board  
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5th September 1989

COMMODITIES AND AGRICULTURE

Attack closes Bougainville mine again after 9 hours

By Chris Sherwell in Sydney

BOUGAINVILLE COPPER'S vast open-cut mine in Papua New Guinea resumed production yesterday morning only to be shut down just nine hours later after gunshots were fired at two buses carrying mine employees.

was injured in the attack, which was presumed to have been the work of a militant group of disaffected landowners.

But it declared that it had "immediately ceased production operations until further notice," and added that it was "profoundly distressed by these cowardly attacks on employees."

Earlier in the day Bougainville Copper announced that the mine had gone back into full 24-hour production. The company said it was satisfied that conditions allowed a resumption after it had received indications from the Port Moresby Government and

the controller of Bougainville Island's state of emergency that "security is adequate to ensure a reasonable level of safety for company employees at work and around the operations."

World oil supplies boosted in August

By Steven Butler

THE INTERNATIONAL ENERGY AGENCY (IEA) yesterday reported a 500,000-barrel-a-day rise in non-communist world oil supplies in August, although spot market oil prices

UK milk industry's 'cosy cartel' comes under fire

Bridget Bloom on the growing pressure for reform of Britain's 57-year-old dairy marketing system

BRITAIN'S MILK marketing boards have enjoyed a monopoly of the buying and selling of milk for 57 years. So when top executives of the largest enter words like "radical change" and "reform", it is to be noted.



Charles Brunge (left) and Andrew Dare: Both acknowledge that change is needed, but part company on its direction

Mr Bob Steven, a dairy farmer himself and the chairman of the MMB of England and Wales, caused a ripple of excitement at the annual general meeting in July when he declared that the Board, and the half dozen main users of its milk as represented in the Dairy Trade Federation, had to acknowledge the need for change.

prices to producers, processors and consumers alike - have been frequently heard in the last year or so that it has looked less than impregnable. On the one hand, the system is under fire from a combination of court cases and competitors in the EC (notably in Ireland), most of which have yet to reach judgement, and moves to create a single Community market for milk.

support for "their" board is legendary. Sir Oulton, like other members of the board, acknowledges its usefulness in maintaining technical standards and assuring good distribution.

However, he charges the system with stifling enterprise. "Everything is stacked against the farmer manufacturer who wants to be innovative," he says.

The Mollington group is typical of these companies. It started life as a dairy farm and joined the MMB scheme in 1950. It was at first thought that EC imports of UHT (ultra heat treated) milk into Britain, freed five years ago, might have proved a threat. But in the event imports carved out only a 5 per cent share of Britain's UHT market, which in turn only about 1 per cent of total milk sales.

Brazil 'will join tin group'

By Lim Siong Hoon in Kuala Lumpur

BRAZIL, THE world's biggest producer of tin, indicated to Malaysia yesterday that it would join the Association of Tin Producing Countries (ATPC), according to Mr Lim Keng Yik, the Malaysian Primary Industries Minister.

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free market, 95.5 per cent, 2 per tonne, in warehouse, 1,700-1,770 (1,580-1,740).

LONDON MARKETS

Table with columns for various commodities like Zinc, Copper, Gold, Silver, and their prices in London.

WORLD COMMODITIES PRICES

Table with columns for various commodities like Wheat, Soybeans, Sugar, and their prices in London and other markets.

US MARKETS

Table with columns for various commodities like Gold, Silver, Copper, and their prices in the US.

Chicago

Table with columns for various commodities like Soybeans, Corn, and their prices in Chicago.

Various small notices and advertisements at the bottom of the page.



# FINANCIAL TIMES SURVEY



Though not Turkey's capital, Istanbul is the country's gateway to the outside world. The

city has recently come under new administration following the increasing unpopularity, nationally, of the ruling party. Jim Bodgener looks at these latest developments

## Hub of finance and culture

ISTANBUL HAS not been Turkey's capital since 1923. But it remains the country's chief city, its supremacy as much undisputed in academic life and the arts, as in business and industry.

Its role in Turkey's economic life is difficult to overstate. With the surrounding Marmara region, Istanbul is Turkey's most industrialised region producing more than half its GDP.

All the chief Turkish industrial groups are Istanbul-based, even if - like Koc, the largest Turkish conglomerate, they started life in other cities. Istanbul's taxpayers are responsible for about 60 per cent of income received by the finance ministry.

Fashions, innovations, and experiments all take place in Istanbul, and spread slowly to the Anatolian hinterland. This is partly because the city is also Turkey's gateway to the outside world in general and Europe in particular. Istanbul has been a great European trade city for centuries and today it is the Turkish city where support for membership of the European Community is strongest.

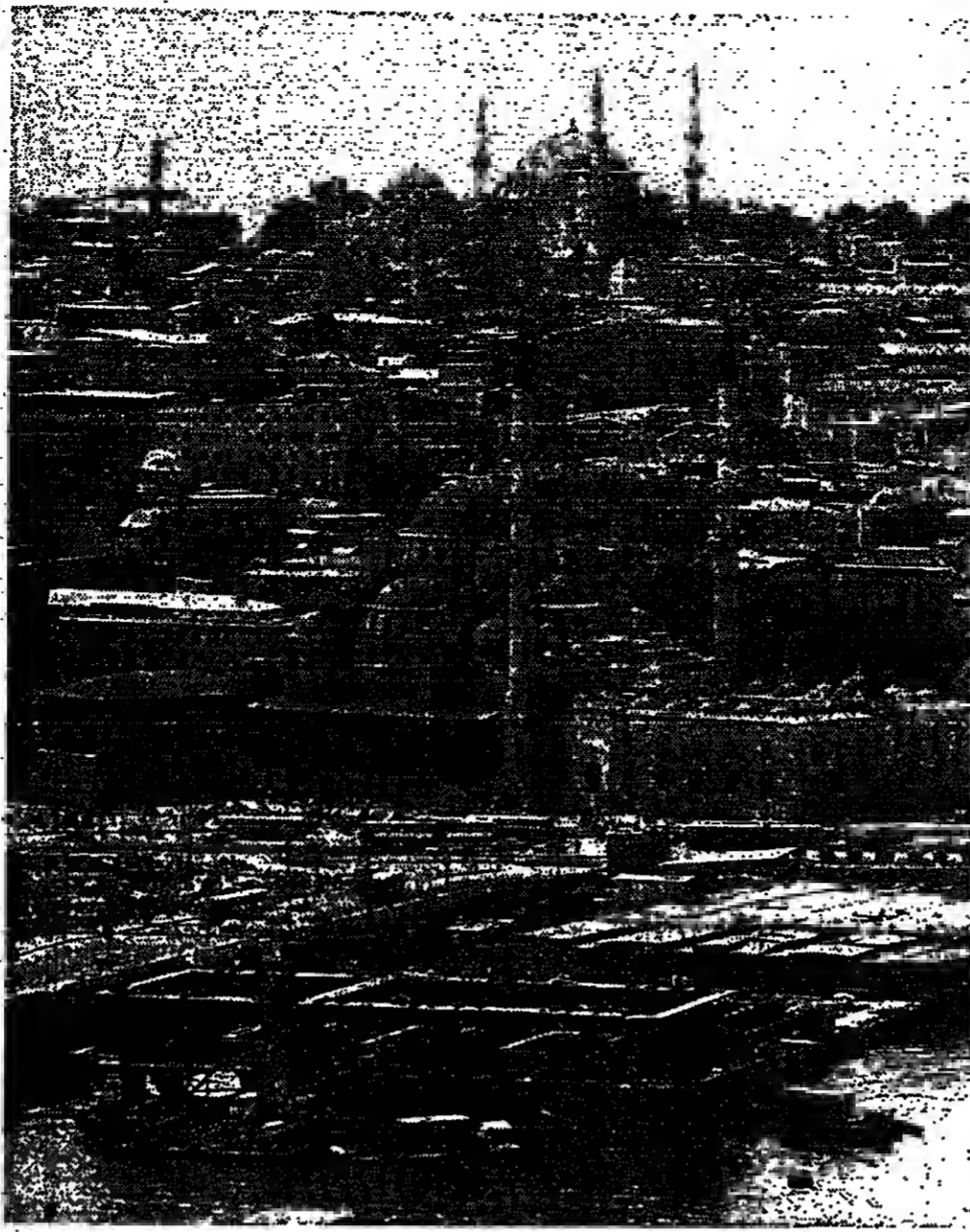
Istanbul has seen many changes over nearly two millennia as the capital of the

Byzantine and Ottoman empires, and to the twentieth century as the commercial and financial hub of the Turkish republic.

Last March there was yet another, when what was thought to be an impregnable bastion for the ruling Motherland Party (ANAP) fell in local elections to the main opposition Social Democratic Populist Party and Professor Nurettin Süzen, its mayoral candidate.

It was part of a country-wide debacle for the ANAP and one that Mr Turgut Özal, the Prime Minister, has not been able to shake off, as shown by the depths to which the ANAP has sunk in opinion polls. That Izmir and Ankara fell to the Social Democrats was no surprise, but Istanbul under the redoubtable Mr Bedrettin Dalan was considered a safe ANAP bet.

Though he ran the city somewhat as a personal fief, his bulldozing rule, characterised by a welter of infrastructure construction, was one of benevolent autocracy in the peculiarly Turkish mould cast by the great nationalist and founder of the republic, Mustafa Kemal Atatürk. It was nationwide rejection of the Government for failing to curb rampant inflation that proved



The new Galata Bridge under construction over the Golden Horn

# Istanbul

his downfall, not personal unpopularity.

He says ruefully: "I may have lost the elections," then the lustre creeps back into his startlingly blue eyes, "but I still have the love of the people of Istanbul."

"Thus it was a blinking Social Democratic Populist Party administration, hardly able to believe the windfall in its lap, that took over at the municipality's offices by Emperor Valen's viaduct, a reminder of other great periods of public works.

In some quarters, particularly business and commerce, and the foreign community, disillusionment is fast creeping in, with charges that all Professor Süzen and his acolytes have done is try to beamirch Mr Dalan's reputation. But it is only natural, following such a daunting figure as Mr Dalan, that the new administration has tried to dispel his aura of invincibility by cutting him down to size.

It has yet to come up with any concrete proof from investigations into his alleged mis-

rule. Says Professor Süzen: "People should know about what happened in the past, so they can see what we are doing." Mr Dalan responds: "What I understand from all these questions is that the best they can do is to say bad things about the previous mayors. History will erase those who do not make any contribution to progress."

One of Mr Dalan's most vaunted claims was to have cleaned up Istanbul's famous Golden Horn inlet, for years heavily polluted and with



Professor Nurettin Süzen, Istanbul's new mayor

filthy, ramshackle workshops on its shores. But Mr Ergun Göknel, the new director of the Istanbul Water and Sewerage Administration, appointed after the local elections, rubbishes even this. He says waste is still flowing into the inlet through 18 channels and adds that when the Social Democrats took over they found contractors protesting that non-payment had stopped work on the World Bank-funded Greater Istanbul Sewerage Scheme. Now it has been restarted.

"There is sedimentation at the bottom of the Golden Horn - with this you can't get it clean, at least not as clean as Mr Dalan's blue eyes," says Mr Göknel, disparaging the one of the latter's more Münchhausen-like boasts.

There is no denying that Istanbul at least half worked under Mr Dalan, and that great strides were made in easing chronic traffic congestion. But for all the play made of the internationalisation of the city under the ANAP, and the attempt to turn it into a replacement Beirut, the new skyscrapers, bank plaques, hotels and affluent shop windows in the city centre only mask the real underlying transformation since the Second World War - the invasion by Anatolia.

In the magnificent collection of Turkey's most extrovert tycoon, Mr Sakıp Sabancı, at his mansion on the Bosphorus, one picture depicts a sunlit central Taksim square in the 1930s, with two damsels in the foreground in thin summer dresses under parasols. It could have been anywhere in Central Europe then. Now the two might seem slightly incongruous in the square, to say the least, and would probably be put down as mad *yabancı* (foreigners, tourists).

Mr Sabancı is himself from Adana in the Cukurova plains of the south-east, the archetype

of a new aggressive breed of businessman which has displaced many of the older families from the pinnacles of the city's commerce and industry. Even today there is a discernible gulf in high society between the parvenus and the older denizens, some from Greek, Levantine and Ladino (Spanish Jewish) families spanning centuries of cultured living in Istanbul.

Similarly, whereas Taksim and Beyoğlu running behind it down to the Golden Horn once were refined amusement areas and suburbs, now there are red lights fronting crumbling streets of shabby tenements.

But the gulf is wider still with the poorest arrivals. In the two decades from the 1950s Istanbul, in common with other large Turkish cities, was subjected to an onslaught of rural migration with its attendant phenomenon of *gecekondu* (built-at-night) squatter barrios encircling the outskirts. It is estimated that at least 60 per cent of the population of six million to eight million people are *gecekondu* dwellers, often self-segregated into little communities based on common origins in central Anatolia.

The integration of the urban poor into the city is one of the greatest challenges facing any mayorality - although the fashion now for the newly consumerist middle-classes is to move from cramped apartments to privately developed satellite dormitory towns mushrooming further out.

The Social Democrats also have their large infrastructure projects - including a new spinal metro crossing the Bosphorus by tube - at a combined cost of about \$1,500 million - although these may be choked at birth by the mood of austerity in Ankara affecting new project borrowing anywhere in Turkey.

Mr Dalan was fortunate that his taking power in 1984 coincided with the redirection straight into the municipality's coffers of property taxes that previously were collected by the central government. In addition the thresholds were vastly increased. Mr Dalan also took office when the new Government of Mr Özal was capitalising on Turkey's returning international creditworthiness by borrowing project credits from every direction. Mr Dalan was given almost free rein.

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- Tourism: Red tape ties up hotel building 4
- Business guide: Where to stay and how to get there 4

Photography: Terry Kirk

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**ISTANBUL 2**

Thomas Goltz on Istanbul's history

**The bazaar at the East-West crossroads**

SINCE THE days of the great camel caravans Istanbul has been a favoured destination for travellers and traders. Although the style of clothes and the modes of carriage and doing business may have changed throughout the centuries, the city remains at heart what it has always been: the big bazaar at the crossroads between East and West.

First established as the town of Byzantium by Megarian Greeks in 658BC on the European shores of the Bosphorus, Istanbul only came into its own as a commercial centre after it was selected by Constantine the Great as the site for his New Rome in 324AD. While London and Paris were mere garrison towns and New York a barren island, Constantinople had a population of over one million and a market so fabulous that early travellers, merchants and mercenaries stood in silent awe at the vast assortment of goods on offer.

As Gibbon tells us: "Whatever rude commodities were collected in the forests of Germany and Scythia, whatsoever was manufactured by the skill of Europe or Asia, the gems and spices of furthest India and the corn of Egypt were brought by the varying winds into the port of Constantinople which, for many ages, attracted the commerce of the ancient world."

Strangely, perhaps, for a world accustomed to contemporary Greeks with a golden commercial touch, Constantinople's economy was dominated by foreigners like Venetians and Genoese, who were exempted from the crushing duties imposed on native merchants. The former went so far as to collaborate with the Frankish Crusaders in their wanton sack of the city in 1201, after which the latter, as a reward for restoring the royal Byzantine house, were granted a half share in exclusive trading rights throughout the empire.

The Galata tower overlooking the Golden Horn is a testimony to the political and military power of the Genoese merchant class.

But it was left to the Turks to expand the city into a prime commercial entrepôt for the

Mediterranean and the Near East. They were no strangers to trade and were untrammelled by religious sensibilities. Prior to their conquest of the city in 1453 they had proved themselves masters of the distinctive bazaar compounds that distinguish oriental from occidental cities.

The covered bazaar areas of the first two Ottoman capitals, Bursa and Edirne, were smaller in scale but still in many ways a prelude to the throbbing mercantile centre built on ruins of the Byzantine precursor in Istanbul. The Ottoman city, the centre of an imperial economy stretching from the Yemen to Hungary, and the borders of Iran to

**By the 1950s the once vital hub of commercial activity in Istanbul had been reduced to a poor shadow of its former self, ravaged by fire**

Algeria, soon became one of the wealthiest and most diversified markets anywhere in the world, all concentrated in the myriad arcades and alleys of the Grand Bazaar.

Either via overland caravans from Tashkent and other points in Central Asia, or laden on vessels coming from the Crimea or Egypt, goods would find their way to the scores of urban warehouses which also served as merchants' inns, lining the main avenues between the bazaar area itself and the dock area around today's Spice Bazaar.

From these wholesale centres goods would next be transported by an exclusive guild of porters to the 5,000 retail outlets in the bazaar proper. The shops were generically arranged according to product, and even today the narrow lanes and cul-de-sac of the bazaar area carry the names of the guilds that once exercised monopoly rights along them.

The practice of grouping all rival merchants and retailers down one lane was allegedly aimed at facilitating easy grad-

ing of wares, but the modern eye suspects that the underlying reason was a price cartel – a curiosity in the bazaar, where haggling and bargaining is said to be a way of life!

In many ways the commercial history of Istanbul – and indeed, Turkey – is reflected in the history of the bazaar. As the Ottoman Empire slowly but surely lost outposts territory to the rising powers of Europe, and then to nationalism, the political turmoil fed through into the commercial realm. The decay of empire led in the outposts of nascent Western multinational capital in a new merchant class dominated by resident foreigners or local minorities rising to prominence again in Persia – or Byzantium – across the Golden Horn.

At the end of the Great War, when the empire finally subsided with the flight of the last sultan, Mehmet VI, on a British warship, the bazaar had been reduced to a paltry selection of shoddy, imported trade goods sold at inflated prices. The great warehouses stood empty or converted into sweatshops.

The transfer of the political capital to Ankara, and the policy of *etatisme*, or internally generated growth orchestrated by the state, adumbrated by the young Turkish republic under the great nationalist leader Mustafa Kemal Atatürk, was a further blow to the privateering initiative of the bazaar.

By the 1960s the once vital hub of commercial activity in Istanbul had been reduced to a poor shadow of its former self, ravaged by fire.

Today, happily, the new spirit of commercialism and outward orientation reflects itself in Istanbul and the bazaar area, now a tourist's shopping paradise. Rents in the refurbished and renovated bazaar are at an all-time high – even though much of the goods sold are curios without any practical application.

But, outside, the old days of travelling merchants live on in the shadow of the Beyazit Mosque. This time it is not Turkmen traders from Tashkent with their dromedaries, or



Yemenis with their camels, but hundreds of Poles carrying their native goods packed atop their Russian-built Lada cars in a mushrooming of Eastern Bloc petit bourgeois, private enterprise.

Here, on the fringes of the historic market, and true to its split, the modern merchants sell high and buy cheap, before their latter-day caravans return home with the best the bazaar can offer.

The Galata tower, above, overlooking the Golden Horn, is a testimony to the political and military power of the Genoese merchant class

**TRADE**

**Pinch felt as sales fall**

ALL THE big export houses have their headquarters in Istanbul, where Turkey has its best contacts with global business. According to an informed estimate 90 per cent of the country's export transactions are conducted from Istanbul.

The trading houses made lucrative profits on the back of the government's export drive early in the 1980s, as exports climbed steadily.

The 21 big export concerns eligible on the basis of earnings of \$150m or more for the coveted label of "foreign trade corporate company" (FTCC) were initially given additional incentives to encourage them to develop on the model of the trading houses, which were behind the commercial and industrial revolutions in Japan and South Korea. The FTCCs were able to share these incentives with smaller companies exporting through them in the so-called "by-pass system". A 2 per cent premium to help the FTCCs retain their by-pass business is not enough, they say.

They are feeling the pinch as overseas sales fell – exports fell 14.9 per cent to \$702m in May, compared with the same month a year ago. Even textiles, the main engine of exports, is flagging.

The FTCCs saw a 9.1 per cent fall in their total sales to \$1.3bn in the first quarter of this year compared with January-March 1988. The traders complain bitterly that the government has abandoned them when current account surpluses mean that it no longer needs their hard currency earnings for debt servicing.

It has failed to compensate them adequately for a decline in the rate of depreciation of the Turkish lira this year – sterling, for example, has barely marked time. On the other hand, to comply with GATT subsidy code obligations, the government finally phased out the prop of export tax rebate incentives in April. The export credits offered by a poor substitute, even Eximbank officials admit that the subsidy element of the export credits can hardly make up for

the lost direct grant of the tax rebate.

One large concern, Suzer Holding, is diversifying away from trading into property. Last year its trading arm matched up an export turnover of \$220m. Mr Mustafa Suzer, the president, predicts gloomily that this year it will probably decline to only between \$50m and \$100m.

There are some bright spots on the horizon for the traders, however, for example the blossoming market in the Soviet Union, which is slowly extending beyond the confines of a gas barter deal.

**"We've spent more trying to win orders in the Soviet Union than we've earned"**

Turkey's leading trading house, Ram die Ticaret, last month signed a \$60m order to supply 25,000 tonnes of the total exportable surplus of Turkish tea on a straight 90-day letter of credit terms – not to mention a transaction for 122 million yuan blades valued at \$1.7m – ironically, contamination by the fallout from the Chernobyl nuclear disaster two years ago led to the decision to destroy the whole of the 1988/7 tea crop along the Black Sea.

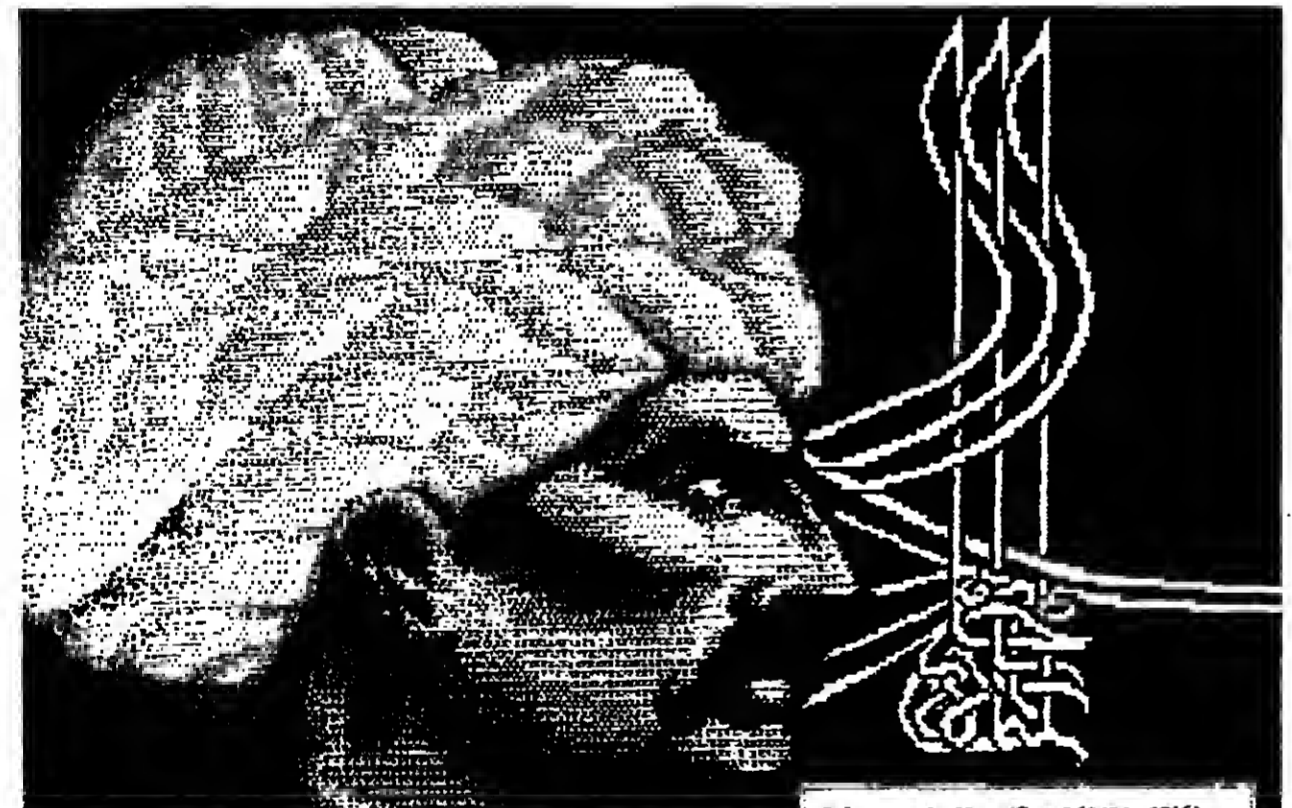
Others are not as sanguine about the Soviet Union. According to one proprietor: "We spent more money in the last five years in trying to win orders in the Soviet Union than we earned. It's a big market, but they simply don't have enough foreign exchange."

The tribulations of exporters may soon be eased, however – the Government may be forced to step in with a mini-devaluation in the attempt to halt the exports slide.

Ominously, the current account was back in the red again by \$2m in the first five months of the year – after a brief heavy spell following the bumper \$1,500m surplus achieved in 1988.

Jim Bodgner

**Knowledge leads to success**



*"Sultan Süleyman & the moonlight"*  
Computer image by E. Siman

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Textile manufacturing remains an important activity, though the trend is towards the service industries

**INDUSTRY**

**Move out of city centre**

DRIVE IN from the airport along the coastal road past the district of Kaşlıcesme (The Fountain with the Goose) and the stink from the leather tanning vats and curing racks in ramshackle timbered buildings assails the nostrils – not a pleasant introduction to the ancient metropolis.

The fountain has survived since the time of the fifteenth century Mehmet, the conqueror of old Constantinople, but its name now seems incongruous against the Dickensian squalor of its surroundings.

The municipality is steadily bringing pressure to bear on the leather factories to move down the road to Tuzla. According to its Istanbul, secretary general of the Istanbul Chamber of Commerce, this is part of a general trend in Istanbul away from industry towards trade, finance and services, especially tourism.

Industry still accounts for about a third of Istanbul's contribution to Turkey's gross domestic product. Apart from textiles, other important manufacturing activities are automotive assembly lines, white goods and pharmaceuticals.

Industrial concentration within the city limits was seriously damaging the environment, to the extent that pollution had become a serious health hazard. The situation in Kaşlıcesme was much worse two or three years ago, with

muck everywhere and noxious fumes swirling from under manhole covers in the streets.

The clogging of the city's arteries has persuaded industrialists to move out. In the textile sector clothing manufacture in small sweatshops now predominates, according to Mr Halli Bezen, general manager of Mensucat Santral.

"The real textile manufacturers are getting out," he says. The largest concentration of sweatshops is in Merter, with others in places like Beşyüzyil and Sial. The sweatshops are not subject to government regulation, and many do not pay tax – but at least they present little threat of pollution.

The big textile factories have moved out to Çerkezköy in Thrace – Mensucat Santral still has a readywear operation in Kaşlıcesme, but its big mill is even further out of town, at Edirne close to the Bulgarian border. "My opinion is that in about two years time the government will find a way of offering us high incentives really to move out, to the underdeveloped east of Turkey," says Mr Özmen.

Further investment in industry in Istanbul has been discouraged by the lack of government incentives. For these areas, Turkey is divided into three areas. The two provinces of Istanbul and neighboring Kocaeli and its principal city of Izmir, plus the cities of Bursa, are considered saturated by the State Planning Organisation. The east and south-east of Anatolia are priority incentive areas. The remainder of Turkey qualifies for normal investment incentives.

Istanbul accounted for 60 per cent of the inflow of foreign investment into Turkey in 1988 – and is expected to account for the same if not a larger share of expected inflows of \$500m this year – but the money was mainly directed towards trade and finance.

Without incentives, and squeezed by borrowing costs and high inflation, Istanbul's industry is dubious about the supposed merits to be gained from recent import liberalisation – especially sectors supplying the domestic market. The automotive sector is particularly concerned, having long been protected behind high tariff walls. Other consumer durable manufacturers have similar anxieties.

"But a seasoned foreign banker has seen it all before in other countries going through the same sort of development – like Japan in the early 1960s, followed by Taiwan and South Korea. Industry is going through a period of reassessment," he says. "The glory days are over. They have to come up with ways to be more competitive, and deliver an quality."

Jim Bodgner

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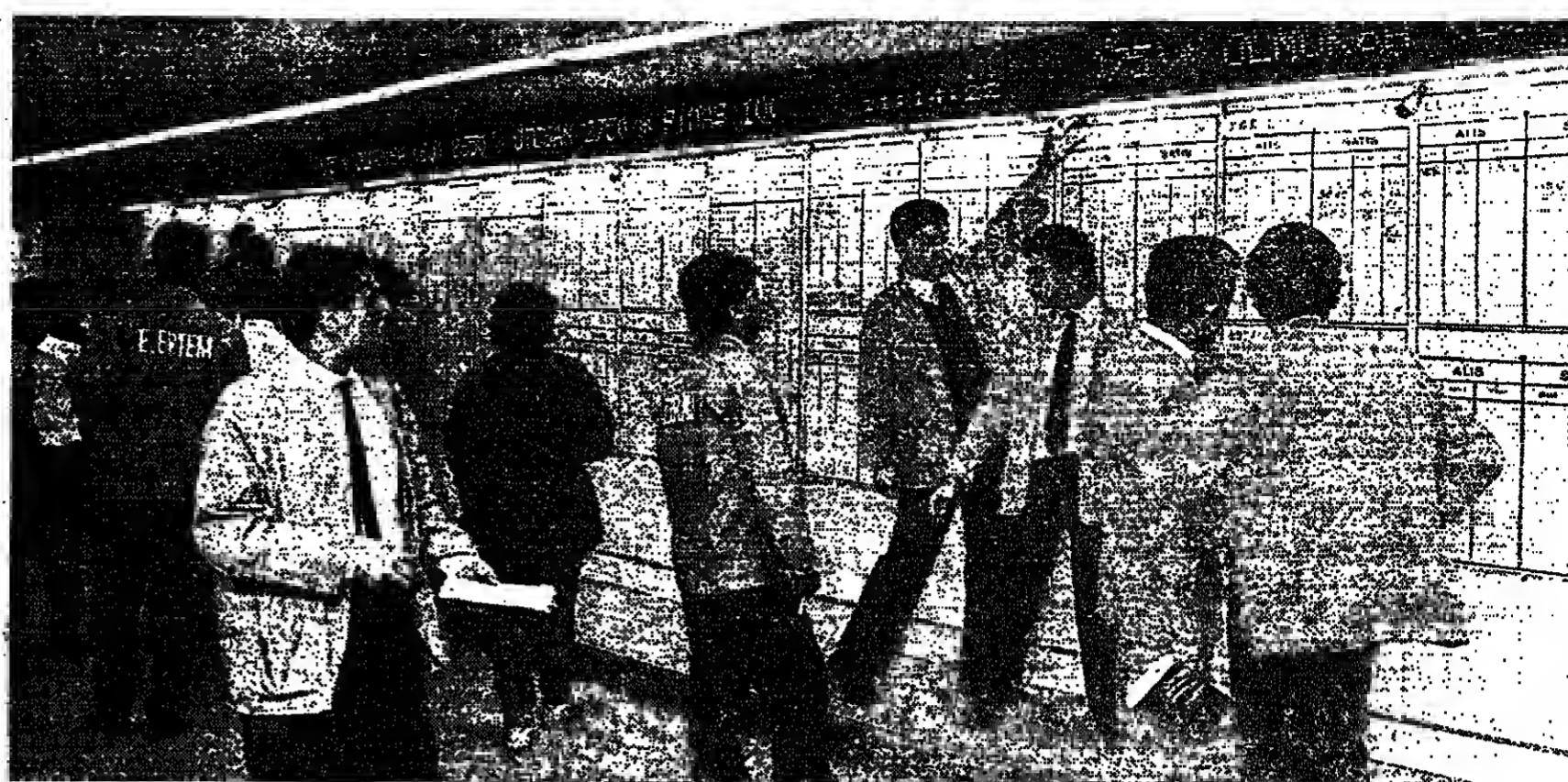
Please contact David Tappin at Abant Ligakapı  
Abant Ligakapı Caddesi 2904, Beşiktaş, İstanbul. Tel: 533 9491 Fax: 232 000 Telex: 24709

*Süleyman the Magnificent*

ISTANBUL 3



The Grand Bazaar



Istanbul stock exchange: relaunched in early 1986 after a moribund existence since the Ottoman Empire

Will this year's moderate bull market remain durable?

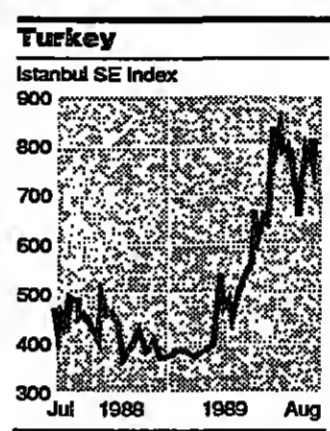
# Slow move out of the doldrums

THE ISTANBUL Stock Exchange has always been the Cinderella of the government's plans to revitalise and deepen the country's savings base through reform of the capital markets. It was relaunched amid much fanfare in early 1986 after a moribund existence since the Ottoman Empire - when it had the most thriving and exotic dealing floor in the Mediterranean basin.

However, the lack of a strong institutional hand like pension funds, and the overriding priority of election economics - accompanied by high inflation and interest rates - brought about a mini-crash on the exchange by autumn 1987. With shares at half their

book value, the exchange languished in the doldrums throughout 1988, surpassed by better returns from deposits, foreign exchange, government securities - and mutual funds, of which there are about 30, originally encouraged with incentives as an interim stage to stocks and shares, but which have preferred money market operations in short-term commercial and government securities.

Apart from the mutual funds, the depressant factors in reverse have been to the exchange's advantage in 1989, such as the topsy-turvy vagaries of the Turkish economy. Now the main question is whether a moderate bull market in the first half of 1989 will prove durable in the second - and whether, in the long term, more of Turkey's family ownership of industry can be persuaded to release more jealously-guarded equity.



hulk of which are traded only perhaps once a year. "There is a potential supply in the market," Mr Karsli says modestly. "With the current squeeze on credit many might prefer to pay dividends to relieve bank debt pressure by going public. If prices were twice as much as they are today, most would be satisfied," he believes. Mr Sedat Atki, manager of broker Yatirim Finansman, says even with depressed prices investors want to take advantage of free issues with capital increases.

In late July the rally wavered in the face of gloomy economic statistics and a threatened flood of attractively priced treasury bonds to soak up over-liquidity from hand-outs to discounted bureaucrats, farmers and workers to compensate them for inflation. It then stabilised and swung back in August on the strength of government assurances, together with the unveiling of moves to make the lira more freely convertible, including throwing open cross border

movements of funds in and out of international and domestic securities.

The index had recovered to 793 on August 15, after slumping a fortnight previously to 655 - despite the 10 per cent differential between treasury bond and deposit returns.

The Ankara-based watchdog Capital Markets Board wants to do as much as possible to encourage the rally, says Mr Sukru Tekbas, its chairman. Already mutual funds have been stripped of their incentives, while draft legislation before parliament includes the introduction of secondary bond trading and rating agencies. Many of the companies quoted on the exchange are not independently audited to international standards.

"It is not a deep market at present, but if foreign institutional investors come, like pension funds, prices might go up," says Mr Karsli hopefully.

Jim Bodgener

## BANKING

# Problem of over-liquidity

ISTANBUL'S pinned metamorphosis into a leading regional and international centre, taking over from *ef-tora* Beirut, quickly gained pace in the early 1980s (th the arrival of foreign banks - With their greater expertise and freedom of manoeuvre they blazed the traffic to foreign exchange for previously hidebound Turkish institutions. Naturally these made lucrative profits on the way, on the back of the *port drive* spearheading the government's structural adjustment programme. Now foreign banks make up

about one third of about 60 institutions in the banking sector. Small specialised *boniques* and wholesale banks have followed their example, and the big retail institutions are well into the act too.

Not surprisingly, in some key sectors - including trade financing - Istanbul is over-banked. About one-third of banking output in Turkey is generated in Istanbul. Of the 58 institutions throughout the country in 1988, 44 had their headquarters there.

Mr Husnu Ozyegin, head of Finansbank, says the city is top-heavy in terms of trade

finance products and corporate banking. On the other hand, it is under-banked in terms of treasury products, asset swaps, financial advisory groups and, in the retail sector, advanced teller machines and consumer credit, he adds.

It is also over-banked because branches are too concentrated in the centre instead of covering population movements towards the outskirts. "The big banks ought to have more dynamic branch strategies," says Mr Ozyegin.

Being over-banked has compounded what is turning out to be a tough year all round for the banking sector, compared with a generally good year in 1988. More than half the domestic institutions returned losses in the first half of the year, while foreign and specialised banks struggled to make ends meet with squeezed margins from foreign exchange transactions.

Over-liquidity is the main problem. "I've been in Turkish banking for 15 years, and have never seen a market this liquid both in terms of Turkish lira and dollars," says one banker. With current account surpluses continuing into 1989 from the record \$1.5 bn surplus notched up in 1988, foreign exchange is easy to come by and the central bank's reserves have never been stronger.

The result has been a sharp brake on the lira's depreciation against most hard currencies. Fierce competition has substantially reduced fees - for example, from 1 1/2 per cent to 2 per cent six months ago for letters of credit to about 1/4 per cent now. And the apparent petering out in the growth of exports threatens diminishing business in the future. Imports, too, have slowed with the economy's contraction from lack of demand.

Mr Dick Arsenault, head of Koc-American Bank, a joint venture between the Koc Group and American Express, says banks have not necessarily slowed down growth, "but they're playing a more conservative game". Foreign banks obtaining funds from the inter-bank market are now at a disadvantage with the large domestic retail institutions, lacking the extensive branch networks enabling the latter to shop around for the cheapest rates.

No longer can foreign banks finance themselves from depreciation on overnight interbank rates, now outstripped by high inflation. This year foreign institutions in their main market of trade financing have faced higher interest costs, shrinking yields on assets, contracting commissions and fees, and, last but not least, higher staff remuneration in a competitive employment market.

The foreign institutions urgently need to discover other niches in the market. "Trade

finance is not everything, they could do other things here," says Mr Ozyegin. One possibility is forgoing another asset swapping. "Why should two Turkish institutions do this through a London bank when they could perfectly well make the deal here?" he asks.

At the same time, the large domestic institutions have been floundering in over-liquidity contracted last autumn when interest rates on long-term deposits were freed. Dooomsayers predict turmoil when high one-year deposits taken out at peak 85 per cent rates of interest mature in October, although the median line is that most of the money will be recycled into the banking system anyway.

But the large domestic banks

have had to struggle with the higher cost of funds, arising out of the differential between the high autumn rates and the gradual decline in premiums since then. With high inflation rendering most corporate lending a bad risk, banks have been at a loss over how to drain off the liquidity, apart from government securities. One fast-developing avenue is consumer credit, in pilot joint offerings by several large banks with industry.

Concomitant with the over-liquidity has been a reduction in capital adequacy, at a time when, under World Bank pressure, the treasury plans to tighten up in line with the Cooke report in the EC - although this may be diluted under strong protests from the private sector that European standards are not yet applicable in Turkey. Mr Atilla Besdemir, general manager of Disbank, says: "First of all, Turkish banks need to increase their capital in order to be able to develop."

An encouraging trend is the recognition by large retail institutions that market share is less important than profitability. Despite rising rates with the recent turn-around in inflation, a mad free-for-all has not re-emerged. This signifies a fundamental sea change from the days when Turkish banks saw their primary function as siphoning as much money as possible off depositors through a plethora of branches to be lent to industry from a few outlets.

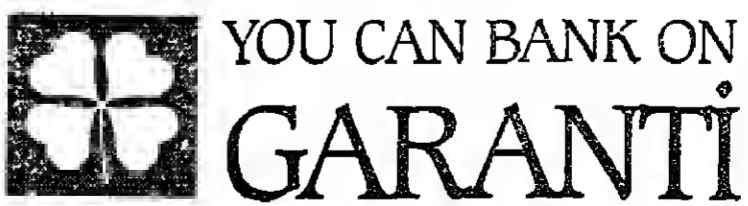
Jim Bodgener

# Growing Figures

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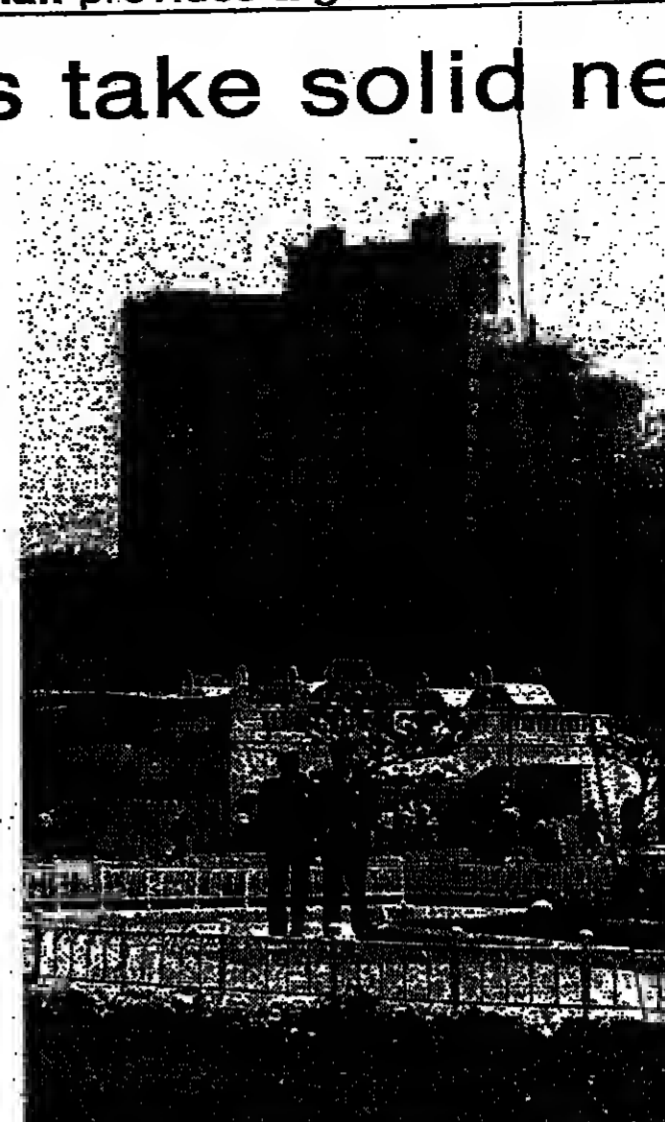
ISTANBUL 4

Amberin Zaman provides a guide for the business traveller

## Taxis take solid nerves

Most business visitors will be surprised to discover on arriving in Istanbul that the erstwhile Ottoman capital offers a first class range of services.

Good communications, including direct dialling, telex and facsimile, are among the standard services offered by most five and four star hotels. Car rentals (Avis, Europcar, Hertz), limousine services, escort services and even helicopters (Sancak Air) are available to the international business traveller.



The Sheraton Hotel, Taksim Square

decent services and include the Dilson (1521305), the Kebab (1522504), the Riva (1564422) and the Buyuk Londra (1491035).

Should you need to stay on the Anatolian side, the Samsat (3581120) is probably the best choice.

### RESTAURANTS

Istanbul caters to tastes ranging from Continental to Chinese cuisine. Should you want a typical Turkish kebab, however, Basir, in Yesilyurt, is highly recommended. Those who need some respite from spices can find excellent Continental cuisine at the post and rather expensive Zinca in Tesvikkiye, which is ideal for business lunches. Samsa and Cubuk 28, patronised by Istanbul's jet set, both offer spectacular views of the Bosphorus.

For a touch of local colour (and more reasonable prices) try the fish restaurants under the Galata bridge or the tavernas in Saryer. One cannot leave Istanbul without visiting Rejans on Istiklal street - a restaurant run by authentic White Russians.

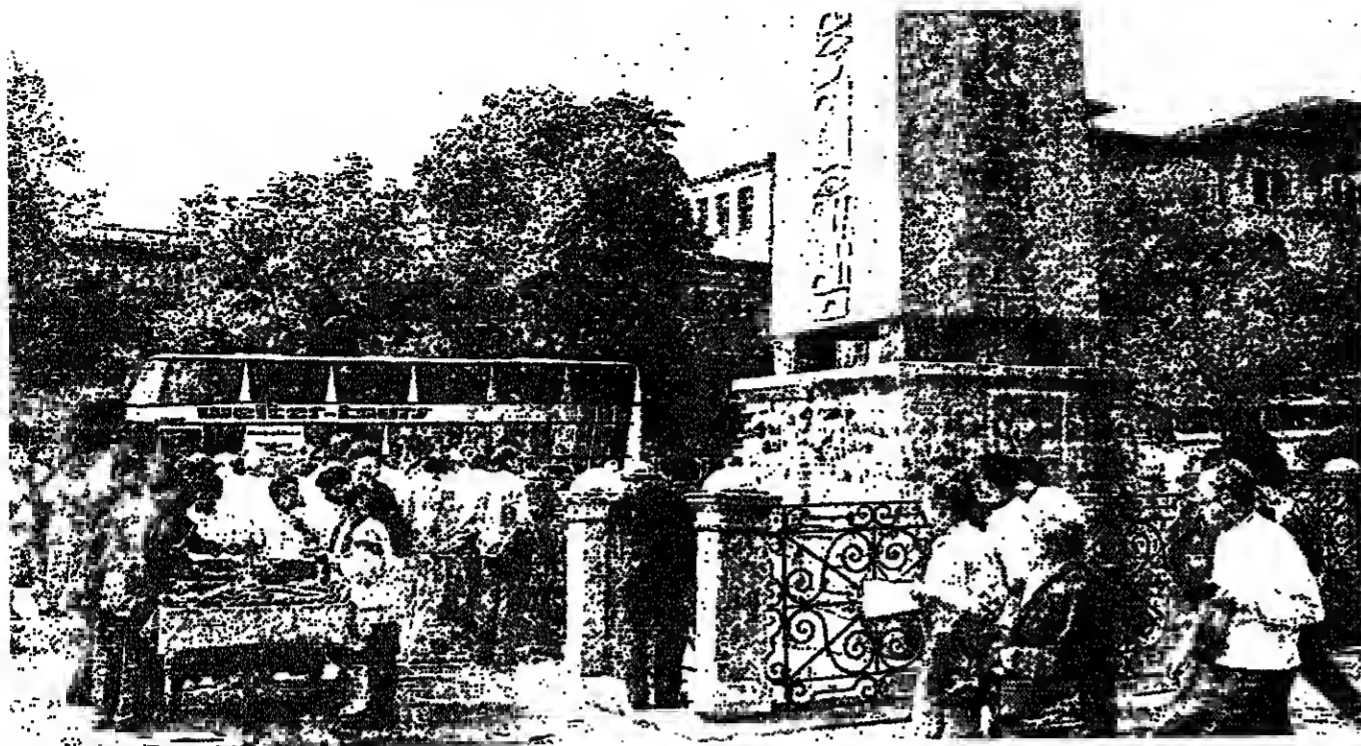
### TIME OFF

There is no lack of diversion in Istanbul. Belly dancing gyppies can be seen at Sulu Kule, while an exotic programme that includes everything from comedians to belly dancers and from pop singers to Turkish "classical" divas, can be the star attractions of the evening.

Bars are plentiful. Istanbul's intelligentsia frequent Blisak in Ortakoy, while the beautiful people go to Mamo's, also on the Bosphorus. If all you want is a drink it is best to stick to your hotel. Simple, ordinary bars do not exist.

If your feet get itchy, Istanbul offers an impressive range of discos: Samsa, Park Samdan, Etiler 29 and Discoreum are among the best and safest.

And if you should lose your passport, British Consulate 149540, US Consulate 1512602, French Consulate 1495724, West German Consulate 154404.



Tourists at the Sultan Ahmet Square

### TOURISM

## Red tape ties up building

ISTANBUL IS the pivot of Turkey's fast-expanding tourist industry - few visitors fail to visit the capital, either on the inward or outward leg of their holidays.

According to Mr Besim Tibuk, chairman of diversified tourism group Net Holding, the ancient metropolis accounts for about half of tourism revenues.

One third of foreign arrivals enter the country through Istanbul, but there is a lack of accommodation. Compared with about 100,000 beds in prime tourism regions along the Aegean and Mediterranean, Istanbul has only 20,000 licensed tourism beds, Mr Tibuk points out.

The shortage is most acute in Istanbul at the five star end of the market - in contrast to the rest of the country, where a plethora of luxury accommodation has outpaced demand to the extent that anxious hoteliers this season offered half-price holidays in the national press.

Mr Norbert Spichtinger, manager of the Istanbul Hilton, says business traffic, such as incentive, annual general meeting and convention bookings, has had to be turned away.

All developers agree on the need for a proper convention centre if Istanbul is to attract this kind of business. The Ataturk Cultural Centre in Taksim Square, and the Hilton's own conference and exhibition centre, are simply not adequate to host today's scale of events.

Despite this, however, the 53 fairs held by different organisations in Istanbul during 1988,



The Blue Mosque

and the expected 63 this year, indicate the popularity of the city as a venue.

The Hilton and the Sheraton are still the city's premier establishments, with 950 rooms between them, followed by the Pullman-Etap Marmara, all in the central Taksim area. "We had the opportunity this year of a Europe IBM meeting," says Mr Spichtinger. "But during the prime March-November season, we couldn't get 100-200 rooms all at once."

That was despite an informal overflow sharing agreement between the Hilton and Sheraton. Even if there were room for large parties, the premier hotels could still hold out for individual bookings at published rather than discounted group rates. Despite a slowing down in the rate of increase,

room bookings at the Hilton are still 10 per cent up on last year. With the Sheraton, the Hilton did take on a meeting of the Young Presidents' Organisation (YPO) - but only at full rates. "That wouldn't happen anywhere else," says Mr Spichtinger.

Some guests are astounded at the rates charged by the Hilton and the Sheraton. On an average as opposed to full rate basis (accounting for discounts and so on), however, the Hilton came out at around \$123 a night with an occupancy rate of 85 per cent during the first six months of the year. This compares favorably with cities like Tel Aviv, Rome, Milan and Munich, and is behind the UK average of \$135 in June - the going rate at the London Park Lane Hilton is \$254 a night.

The tight situation will be eased in the next couple of years by the construction of a 511-room Swissotel with Japanese finance, and the completion of a protracted project to convert the old Ciragan palace down by the Bosphorus into an 830-room hotel complex - to be managed by Kempinsky Hotels.

Hilton too is building a 130-room extension, the Park Hotel, developed by the Sabanci group across the valley from the main hotel. When all these are completed the number of five-star rooms will be roughly doubled.

But, according to Mr Spichtinger, few of the other big five-star projects - about 20 in all - look likely to get off the ground in the near future because of problems with both central and local government red tape. Everything down to the minutest detail has to be ready and approved before construction can start, he says.

Even after planning approval is wrung from the authorities the municipality gets in the way, like restricting site access to ready-mix lorries to two or three hours in the evenings. The Ciragan complex, there have also been difficulties and changes between its partners - will have taken six years to build on completion next year.

"It has taken three years to get the Swissotel under construction, due to nothing else but red tape," says Mr Asat Guner, head of Zihni Holding, the Turkish minority partner in the project. He claims it represents the first substantial investment from Japan - supposedly eagerly sought by the government. A total of \$36m has been put towards the project by Nippon Fire & Marine, Tokyo Urban Development Corporation and Nissho Iwai Contractor. Another Japanese company, Hazama Gumi, is also a partner. Completion is expected at the end of 1990.

Strong opposition has been put up by the municipality to a project for a Marriott hotel surmounted by a 27-floor tower of offices at a total cost of \$80m. Mr Mustafa Suzer of Suzer Holding, the Turkish developer, says this will now be abandoned after a legal battle. His competitors are not so sanguine.

According to Mr Suzer, the government recently took the issue out of the municipality's hands with a decree that permission for such developments in tourism-designated areas rested with the public works and housing ministry.

The mayor, Prof Nurettin Sozen, says the municipality will respect five-star developments under construction, but will consider future applications in the light of the city's environmental and infrastructure requirements. There was a distinct lack of proper planning control by the previous administration of Mr Bedrettin Dalan, he adds.

Beneath the five star end of the market there is a range of two to four star hotels - an example is the Riva, just off Taksim - catering to both tourists and itinerant businessmen. However, there is a shortage of three and four-star establishments, according to Mr Spichtinger, who says "Turkey's tourism strategy should be geared towards the middle and upper income bracket of tourist and business visitors."

According to Mr Besim, still more five-star establishments are needed. "The trend in the world is now towards luxury establishments," he says. "Turkey's tourism strategy should be geared towards the middle and upper income bracket of tourist and business visitors."

Despite the red tape, everyone, it seems, still wants to believe in the burgeoning market in Istanbul.

Jim Bodgener

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# TURKISH SURVEYS

The Financial Times proposes to publish a Survey on  
**TURKISH BANKING AND INDUSTRY**  
on  
**Monday 27th November 1989**

☆☆☆☆☆☆☆☆☆☆

The Financial Times also plans to publish the following  
Turkish surveys during 1990

<b>MAY</b>	- Turkey
<b>JULY</b>	- İzmir
<b>NOVEMBER</b>	- Turkish Banking, Finance & Banking

For full details of all these surveys please contact:  
**IN LONDON**  
Chris Schaanning on 01-873 3428 or  
Connie Davis on 01-873 3514  
or write to them at:  
Number One, Southwark Bridge, London SE1 9HL  
**IN TURKEY**  
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**FINANCIAL TIMES**  
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French speaker with minimum of 3 years' experience and excellent track record of selling fixed interest products to institutions within France is sought.

**GERMAN SPEAKING BOND SALESPERSON** 20s/30s - £60,000 p.a.  
Very experienced German speaking sales professional is sought to cover a wide range of fixed interest products to German institutions.

**BOND SALES MIDDLE EAST** 20s/30s - £40,000 p.a.  
Professional sought with extensive experience of marketing to central banks throughout the Middle East. Ability to speak Arabic would be a great advantage. An extensive range of fixed interest products will be covered.

**BOND SALES CENTRAL EUROPEAN BANKS** 30s - £40,000 p.a.  
Candidates with extensive experience of selling a wide range of fixed interest products to central European banks is sought.

**BOND SALES MEDITERRANEAN AREA** 20s/30s - £40,000 p.a.  
Candidates sought with good fixed interest product sales track record in Italy and other Mediterranean countries.

**TRADERS**

**US TREASURY TRADER** 20s - £40,000 p.a.  
Treasury trader from a primary dealer sought by international bank. Essential to have 3 years' solid trading experience of US treasuries.

**EC/EURONOTE TRADER** EARLY 20s - £30,000 p.a.  
Young trader with 1-3 years' trading experience of ECU/Euro notes to cover requirements of bank's corporate clients.

All salaries quoted are approximations and are negotiable for the right person.  
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Graduate calibre, you'll ideally have a relevant professional qualification, together with several years relevant experience in the insurance or retail investment field. And, since this is a role which involves liaising and negotiating at all levels, you'll need excellent interpersonal skills, plus a high level of flair and initiative.

In return you'll find that achievement is recognised and rewarded. You'll enjoy a competitive salary, a profit related bonus scheme, concessional mortgage, contributory pension, life assurance and free BUPA membership. A relocation package is also available.

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### INTERNATIONAL OPPORTUNITIES

#### AUTUMN 1989

The Rathbone Consultancy can now offer experienced Derivative Products Executives career opportunities in New York, Frankfurt and London.

**New Product Traders**  
Positions exist in Frankfurt and London. Experience of DM, E, \$ required.

**Swaps Marketing Executives**  
As a number of banks and brokers look to Europe and the developing markets in Spain, Germany, France and Italy, we would be interested in talking to both experienced Swaps Marketeers and Individuals with Capital Markets marketing experience for positions in London and Frankfurt. A second European language would be a definite asset.

**Financial Engineers**  
Several banks are currently establishing/developing their New Product Divisions and opportunities exist within the following corporations:  
Middle Eastern bank seeks a No. 2 for its Swaps Team. Opportunity to structure and trade.  
International bank. Newly consolidated New Products Division. Innovative team with large earning potential.  
Boutique house wishes to establish a stronger presence. Knowledge of Caps, Floors, Swaptions etc. New system development also a priority.

For a more detailed discussion please contact  
The Rathbone Consultancy on 01-439 1188 or 01-287 5704.

**The Rathbone Consultancy**  
Premier House, 77 Oxford St, London W1R 1RB, England.  
Tel: 439 1188/287 5704 Fax: 494 0539

### BANKING OPPORTUNITIES

**EUROPEAN M & A Highly Neg**  
To take advantage of cross border European M & A opportunities, two highly reputable New York institutional brokerage houses wish to develop their London and Europe based corporate finance teams. European nationals with min. 3 years' generalist corporate finance experience within the principal Continental economies would be of particular interest.

**PRIVATE BANKING — RELATIONSHIP OFFICERS**  
to £50,000  
An established private banking group wishes to expand their substantial client base by recruiting 3 experienced private banking relationship officers. The ability to bring experience to complement a small, well knit, innovative team is more important than specific geographical or product knowledge.

**MARKETING OFFICERS**  
£30-125,000 p.a.  
Two international banks seek senior officers with min. 2 years' experience in either Southern Europe, Far East or Australasia. Extensive travel (and for the Far East, relocation in due course) is likely. Product knowledge can be from general or investment banking. Additionally, for the Australian role, experience of both UK and Australian based companies is required.

**BUSINESS DEVELOPMENT**  
— LBOs/MBOs  
c. £25,000  
Our client, a prestigious British merchant bank, seeks a graduate probably aged mid to late 20s with at least 2 years' relevant experience. Strong credit and technical skills are required. This is a rare opportunity to join a market leader and develop marketing ability.

**FUND MANAGER — FIXED INCOME**  
Salary up to £30,000  
This major international bank seeks a fund manager with min. 2 years' experience to join a well established team, initially specialising in gilts. This position carries a high degree of responsibility with extensive and numerous types of funds under management. Individuals with 2-3 years' direct money management experience of US equities would also be of interest.

**DUTCH-SPEAKING MARKETING OFFICER**  
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**QUANTITATIVE ANALYSTS**  
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**CORPORATE BANKING**  
to £50,000  
On behalf of a leading European bank we are seeking a manager to head the UK corporate banking group. Candidates should be aged mid 30s and have a successful track record of at least 5 years' handling complex transactions ideally with exposure to structured or leveraged finance.

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Applicants are welcomed from industry, commerce or the public services.

Applications to include a full curriculum vitae and the names of 3 referees should be sent under 'Private and Confidential' cover to the Director-General, City and Guilds of London Institute, 76 Portland Place, London W1N 4AA by 20 September 1989.

**City and Guilds**

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We are currently working on behalf of a number of blue chip institutions who are strengthening their London and International teams. We are interested in talking to individuals with experience of the following:-

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If you have two to four years' corporate finance experience involving any of these areas please telephone us for further details. Salaries are highly negotiable according to age and experience.

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Contact John Faulkner or Mike Brennan on 01-439 1188 or 01-287 5704.

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We offer a competitive remuneration package with the normal banking fringe benefits and the prospect of career development for successful performance.

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New Court, St Swithin's Lane, London EC4P 4DU.

**N M Rothschild**  
Asset Management Limited





LONDON STOCK EXCHANGE

Closing upturn brings new 1989 peak

THE UK stock market put on a further display of confidence yesterday, rallying from early losses and closing with a burst of speculative activity which focussed around a handful of the leading international stocks. The FT-SE index closed at a new 1989 peak, helped once again by trends in the FT-SE futures contract, where an early discount against the underlying index was sharply reduced later.

Account Dealing Index table with columns for Sep 1, Sep 2, Sep 3, Sep 4, Sep 5, Sep 6, Sep 7, Sep 8, Sep 9, Sep 10, Sep 11, Sep 12, Sep 13, Sep 14, Sep 15, Sep 16, Sep 17, Sep 18, Sep 19, Sep 20, Sep 21, Sep 22, Sep 23, Sep 24, Sep 25, Sep 26, Sep 27, Sep 28, Sep 29, Sep 30.

The dollar's rise suggested that US interest rates are likely to stay high, implying a similar outlook for British base rates, there was no immediate reaction in London equities. Yesterday's dip in the sterling exchange rate index, while potentially disturbing for domestic interest rates, failed

to upset equity investors. Equities opened under pressure as a modest \$30m trading programme was operated by a leading UK banking house. Little comfort was taken from a batch of corporate trading results, and the FT-SE index was soon 8 points off.

Trading volume was still light, and bid stocks were clearly "on hold" as the market awaited further developments on a number of important bid fronts. The market came alive just after 4.00pm when oil stocks, including the stock futures, blazed ahead. The takeover sector also came alive as a

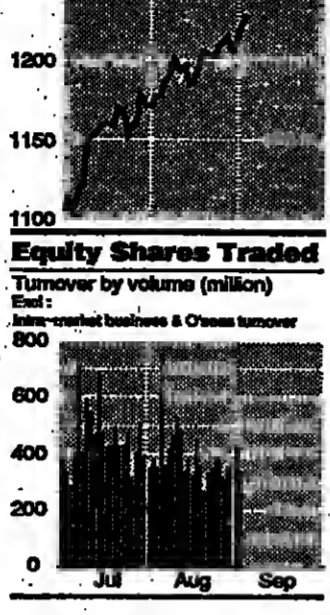
5885m deal between Grand Metropolitan and Brent Walker was confirmed. There was a sharp rise in BAT Industries on a suggestion in the market that Hanson Trust was on the point of counter-bidding against the offer for BAT from Hoylake, the Sir James Goldsmith-led consortium, so confident were the speculators that they even embroidered the story by asserting that Hoylake would then bid for Allied-Lyons, the food and brewery group.

Walker deal intrigues

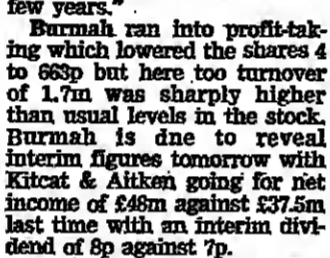
Confirmation of Brent Walker's purchase of Grand Metropolitan's betting shop businesses came in two parts yesterday, bringing further reaction in the shares of both the leisure industry companies. The opening shot came early with Brent's admission that it is selling its Whyte & Mackay whisky operation to a management consortium - another market story confirmed. Later, the whole equity market responded bullishly to the announcement that Brent is buying back, mostly in cash, for GrandMet's betting shops.

running at the session drew to a close with buyers paying particular attention to BP. Specialists said the sector had come in for a strong measure of support from funds who are looking for sectors left behind during the recent market upturn. Dealers spoke of strong and sustained buying interest for traded options in many of the leading oil issues, but most obviously for BP.

FT-A All-Share Index



Equity Shares Traded



formance, coupled with its growing share of an expanding European corporate finance market. For Kleinwort it was said the interim figures, expected on September 13, could be lower than the first half last year but that the group would make a strong recovery from the loss-making second half of 1988. "The market has been looking for sectors lagging behind the market and it has settled on the merchants," noted one analyst.

come from the US and says the strong dollar is good news for Ratners. The electronics and telecoms issues were highlighted by the increase in activity in British Telecom, where bid demand for 225m shares, with plenty of interest said to have emanated from the US, boosted turnover to more than 10m shares. BT shares settled 1/4 ahead at 268 1/2p.

LASMO activity

LASMO, the independent oil company, was at the forefront of a general advance by the oil sector. The share price moved up 8 to 609p, on much bigger than usual turnover of 2.7m. Kleinwort Benson, the securities house, was said to have been behind the latest upsurge in the shares. In their Drill Bits Weekly, the Kleinwort oil team reiterated its buy recommendation on the shares. It said that the recent drilling success on the West Claymore and East Piper fields in the North Sea "confirmed an excellent first half for LASMO in the North Sea," adding that the group's international drilling campaign "is in full swing, and discoveries on the Espirale permit in Colombia and the Tajal permit in Pakistan await confirmation in their first half preview on September 13."

oil sector was up and BP options boost. The oil sector was up and BP options boost. The oil sector was up and BP options boost.

NEW HIGHS AND LOWS FOR 1989

- List of new highs and lows for 1989, including companies like BHP, BP, and various international firms.

insurers in the refining industry have potential to add 30 per cent to 50 per cent to Ultramar's net income over the next few years. Burmah ran into profit-taking which lowered the shares 4 to 609p but here too turnover of 1.7m was sharply higher than usual levels in the stock market. The interim figures, however, were 4 better at 342p. Hambros, restrained by concern over Hambro Countrywide's imminent interim figures, hardened to 233p.

Senior posts at LINK

Mr Peter Lamb, an executive director of the Leeds Permanent Building Society, has been elected chairman of LINK, the branded cash network. Mr John Barry, former chairman of the LINK network and head of electronic consumer banking at Girobank, becomes chief executive.

EMAP, the magazine, newspaper and exhibitions group, has appointed Mr David Arecinas (above) as group managing director. He is currently deputy group chief executive.

Mr Robert C. Akroyd has been appointed managing director of DAVY ENERGY AND ENVIRONMENTAL. The new company, based in Stockton-on-Tees, brings together a number of Davy technologies including nuclear engineering and will operate as part of the process division of Davy Corporation.

GMFanc Robotics Corporation (USA) in April.

Following the merger of REM's bulk chocolate companies as S&A LESME, Mr N.E. White and Mr A.L. Edgar, who are currently responsible for finance and operations, become finance director and operations director respectively.

director at JOHN GOVETT & CO.

Mr Noel E.W. Strong has joined the WARD GROUP as group chief accountant. He was formerly finance director with Vickers Instruments International.

Mr James Hayward has been appointed head of internal audit, HILL SAMUEL INVESTMENT SERVICES GROUP. He was internal audit manager.

Mr Alexander Hooton has been appointed to the board of PRIVATE CAPITAL FINANCIAL SERVICES, the independent financial adviser within The Private Capital Group, itself a subsidiary of the Scandinavian Bank Group.

Mr Patrick Arnold-Baker (above) has been appointed managing director of DUR-KOPF (UK), the specialist supplier of industrial sewing machines. He has spent the last 16 years as a technologist with Marks and Spencer, latterly as the technical executive of its Childrens Wear buying group.

Mr Nigel Berry has been made financial controller of WASSALL.

Mr John Halanda has been appointed managing director of GMFANC ROBOTICS (UK). This follows the purchase of 600 Fanc Robotics by the

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FINANCIAL TIMES STOCK INDICES

Table of financial times stock indices including Government Secs, Fixed Interest, Ordinary Share, Gold Mines, FT-SE 100 Share, Ord. Div. Yield, PVE Ratio, SEAG Bergalm(50m), Equity Bargains, Shares Traded, Ordinary Share Index, FT-SE Hourly changes, and S.E. ACTIVITY.

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume in major stocks with columns for Stock, Value, Price, Change, and other metrics.

There was continued switching out of Asda and into Argyll. The former has been subject to bonks of speculative trade while the latter's fundamentals have been helped by Monday's link with two European companies - dealers are hoping for more such deals to follow. Asda slipped 2 to 207p while Argyll touched 259p before settling at 257p, up 4 on the day, helped by a single early morning trade of 1m shares.

APPOINTMENTS

Senior posts at LINK, Mr Peter Lamb, an executive director of the Leeds Permanent Building Society, has been elected chairman of LINK, the branded cash network.

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INTERNATIONAL CAPITAL MARKETS. The Financial Times proposes to publish this survey on: 16th OCTOBER 1988. For a full editorial synopsis and advertisement details, please contact: DAVID REED on 01-873 3461 or write to him at: Number One Southwark Bridge London SE1 9HL

FIDELITY WORLD FUND Societe d'Investissement a Capital Variable 5, Boulevard de la Foire R.C. Luxembourg 9497. Notice of Annual General Meeting. NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY WORLD FUND, a societe d'investissement a capital variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, 5, Boulevard de la Foire, Luxembourg, at 11.00 a.m. on September 26, 1989, specifically, but without limitation, for the following purposes:

ATSUGI MOTOR PARTS CO., LTD. now ATSUJUNI CORPORATION U.S. \$100,000,000 1 1/2 per cent. Guaranteed Bonds Due 1993 with Warrants. NOTICE IS HEREBY GIVEN to the Bondholders that effective 1st September, 1989, Atsugi Motor Parts Co., Ltd. has changed its corporate name to Atsujuni Corporation. Bonds with Warrants. The Bonds with Warrants will either be stamped nor exchanged and will remain listed on the Luxembourg Stock Exchange under Atsugi Motor Parts Co., Ltd., following the new name of the Company, Atsujuni Corporation. All further notices regarding the issue shall refer to both names. A complementary legal notice as well as the Articles of Incorporation of Atsujuni Corporation have been registered with the Greffier en Chef du Tribunal d'Arrodissement de et a Luxembourg.

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AUTHORIZED UNIT TRUSTS

Main table containing unit trust information, organized into columns by trust name and type. Includes sub-sections like 'Authorized Unit Trusts' and 'Guide to Unit Trust Pricing'.

GUIDE TO UNIT TRUST PRICING
GENERAL CHANGE: The marketing, administration and other costs which have to be paid by new investors. These costs are known as the 'initial charges' and are payable on the day the investor buys the first unit.

Handwritten text at the bottom of the page: كذا من الاصل

Unit Trusts

FT UNIT TRUST INFORMATION SERVICE

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Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Costs Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing financial data for various unit trusts, including columns for Name, Price, Yield, and other metrics. The table is organized into multiple columns and rows, listing numerous investment funds.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

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Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

Table of London Share Service, including sections for British Funds, Loans, Foreign Bonds & Rails, Americans, Money Market Bank Accounts, and Money Market Trust Funds.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-625-2128

AMERICANS - Contd. Table listing various American stocks such as American Express, American International, and American Overseas.

CANADIANS. Table listing Canadian stocks including Canadian National, Canadian Pacific, and Canadian Tire.

BANKS, HP & LEASING. Table listing financial institutions and leasing companies like Bank of America, Citicorp, and Finance Trust.

BEERS, WINES & SPIRITS. Table listing beverage companies such as Anheuser-Busch, Heineken, and Diageo.

BUILDING, TIMBER, ROADS. Table listing construction and infrastructure companies like Bovis Lend Lease and Bovis Lend Lease.

BUILDING, TIMBER, ROADS. Table listing construction and infrastructure companies like Bovis Lend Lease and Bovis Lend Lease.

CHEMICALS, PLASTICS. Table listing chemical and plastic manufacturers such as ICI, Shell Chemicals, and Hoechst.

DRAPERY AND STORES. Table listing retail and clothing companies like Debenhams, Next, and Primark.

DRAPERY AND STORES. Table listing retail and clothing companies like Debenhams, Next, and Primark.

ENGINEERING. Table listing engineering and technology firms such as BAE Systems, British Aerospace, and GEC.

DRAPERY AND STORES - Contd. Table listing retail and clothing companies like Debenhams, Next, and Primark.

ELECTRICALS. Table listing electrical and electronics companies such as GEC, British Aerospace, and GEC.

ENGINEERING - Contd. Table listing engineering and technology firms such as BAE Systems, British Aerospace, and GEC.

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INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies like British Steel, British Airways, and British Telecom.

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INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies like British Steel, British Airways, and British Telecom.

INDUSTRIALS (Misc.) - Contd. Table listing various industrial companies like British Steel, British Airways, and British Telecom.

INSURANCES. Table listing insurance companies such as Prudential, Sun Life, and Royal Indemnity.

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LONDON SHARE SERVICE

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LEISURE

Table of share prices for Leisure companies including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of share prices for Paper, Printing, Advertising companies including Paper, Printing, Advertising, etc.

TEXTILES - Contd

Table of share prices for Textiles companies including Textiles, Textiles, Textiles, etc.

TOBACCO

Table of share prices for Tobacco companies including Tobacco, Tobacco, Tobacco, etc.

TRANSPORT

Table of share prices for Transport companies including Transport, Transport, Transport, etc.

PROPERTY

Table of share prices for Property companies including Property, Property, Property, etc.

TRUSTS, FINANCE, LAND - Contd

Table of share prices for Trusts, Finance, Land companies including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of share prices for Oil and Gas companies including Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of share prices for Mines companies including Mines, Mines, Mines, etc.

THIRD MARKET

Table of share prices for Third Market companies including Third Market, Third Market, Third Market, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors, Aircraft Trades companies including Motors, Aircraft Trades, Motors, Aircraft Trades, etc.

Commercial Vehicles

Table of share prices for Commercial Vehicles companies including Commercial Vehicles, Commercial Vehicles, Commercial Vehicles, etc.

Components

Table of share prices for Components companies including Components, Components, Components, etc.

Garages and Distributors

Table of share prices for Garages and Distributors companies including Garages and Distributors, Garages and Distributors, Garages and Distributors, etc.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers, Publishers companies including Newspapers, Publishers, Newspapers, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, Advertising companies including Paper, Printing, Advertising, Paper, Printing, Advertising, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, Land companies including Trusts, Finance, Land, Trusts, Finance, Land, etc.

FINANCE, LAND, ETC

Table of share prices for Finance, Land, Etc companies including Finance, Land, Etc, Finance, Land, Etc, Finance, Land, Etc, etc.

PLANTATIONS

Table of share prices for Plantations companies including Plantations, Plantations, Plantations, etc.

MINES

Table of share prices for Mines companies including Mines, Mines, Mines, etc.

Central Rand

Table of share prices for Central Rand companies including Central Rand, Central Rand, Central Rand, etc.

Eastern Rand

Table of share prices for Eastern Rand companies including Eastern Rand, Eastern Rand, Eastern Rand, etc.

Far West Rand

Table of share prices for Far West Rand companies including Far West Rand, Far West Rand, Far West Rand, etc.

O.F.S.

Table of share prices for O.F.S. companies including O.F.S., O.F.S., O.F.S., etc.

Finance

Table of share prices for Finance companies including Finance, Finance, Finance, etc.

Diamond and Platinum

Table of share prices for Diamond and Platinum companies including Diamond and Platinum, Diamond and Platinum, Diamond and Platinum, etc.

Central African

Table of share prices for Central African companies including Central African, Central African, Central African, etc.

Regional and Irish Stocks

Table of share prices for Regional and Irish Stocks companies including Regional and Irish Stocks, Regional and Irish Stocks, Regional and Irish Stocks, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather companies including Shoes and Leather, Shoes and Leather, Shoes and Leather, etc.

TOBACCO

Table of share prices for Tobacco companies including Tobacco, Tobacco, Tobacco, etc.

OIL AND GAS

Table of share prices for Oil and Gas companies including Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES

Table of share prices for Mines companies including Mines, Mines, Mines, etc.

TRADITIONAL OPTIONS

Table of share prices for Traditional Options companies including Traditional Options, Traditional Options, Traditional Options, etc.

SOUTH AFRICANS

Table of share prices for South Africans companies including South Africans, South Africans, South Africans, etc.

TEXTILES

Table of share prices for Textiles companies including Textiles, Textiles, Textiles, etc.

OIL AND GAS

Table of share prices for Oil and Gas companies including Oil and Gas, Oil and Gas, Oil and Gas, etc.

MINES

Table of share prices for Mines companies including Mines, Mines, Mines, etc.

PROPERTY

Table of share prices for Property companies including Property, Property, Property, etc.

Disclaimer and contact information at the bottom of the page.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up despite intervention

CO-ORDINATED CENTRAL Bank intervention was only partially successful in stemming the dollar's rise yesterday. The US Federal Reserve was followed by 12 other central banks in selling dollars. The rise started in Far East markets despite intervention by the Bank of Japan estimated at least \$500m.

trading in New York after the long weekend break. But central banks took advantage of the market's hesitancy, sensing that the lack of any further advancement reflected caution and indecision. Nevertheless, the intervention by most central banks failed to dampen enthusiasm, and the dollar managed to finish close to the day's high at DM1.9910 from DM1.9875 and ¥147.05 from ¥145.90.

trade down to a floor level of \$1.5225. There were no fresh economic factors to influence trading, and yesterday's decline tended to add weight to the argument that sterling has recently been a convenient parking lot for funds, in the absence of a better trading opportunity. High interest rates are a supporting factor but tend to be ignored if there is a stronger and quicker capital gain to be made elsewhere.

FINANCIAL FUTURES

Short sterling weaker

SHORT STERLING fell through technical support at 86.40 for December delivery on Life yesterday. It also touched nearby, breaching the next support level of 86.35, touching a low of 86.32, before closing at 86.36 compared with 86.44 previously.

and that sentiment is becoming increasingly bearish, as far as sterling instruments are concerned. A weakening of the pound put downward pressure on short sterling futures, leading to suggestions that the December contract could fall to 86.12 in the next few days. This view was reinforced by the failure of co-ordinated central bank intervention to halt the advance of the dollar. Strength of the US currency was

regarded as a potential problem for sterling based contracts, with traders noting a lack of technical support for the pound between \$1.5400 and \$1.5150. Sterling lost over 1 1/2 cents to close at \$1.5380 on the London foreign exchange market yesterday.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns for Country, Unit, and Rate. Includes entries for Belgium, France, Germany, Italy, Netherlands, etc.

FOUND SPOT-FORWARD AGAINST THE POUND

Table with columns for Country, Unit, Spot, Forward, and % Change. Includes entries for US, Japan, West Germany, etc.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table with columns for Country, Unit, Spot, Forward, and % Change. Includes entries for UK, West Germany, France, etc.

EURO-CURRENCY INTEREST RATES

Table with columns for Currency, Term, and Rate. Includes entries for Sterling, US Dollar, etc.

EXCHANGE CROSS RATES

Table with columns for Currency, Rate, and % Change. Includes entries for £/\$, £/DM, etc.

£ IN NEW YORK

Table with columns for Date, Rate, and % Change. Shows daily fluctuations of the pound in New York.

CURRENCY RATES

Table with columns for Currency, Rate, and % Change. Shows rates for various currencies like Sterling, US Dollar, etc.

CURRENCY MOVEMENTS

Table with columns for Currency, Movement, and % Change. Shows daily changes in currency values.

OTHER CURRENCIES

Table with columns for Currency, Rate, and % Change. Shows rates for currencies like Australian, Brazilian, etc.

LONDON (LIFF)

Table with columns for Instrument, Price, and % Change. Includes entries for 26-Year 9% National Debt, etc.

CHICAGO

Table with columns for Instrument, Price, and % Change. Includes entries for US Treasury Notes, etc.

BASE LENDING RATES

Table with columns for Bank, Rate, and % Change. Lists various banks and their lending rates.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, Bid, Ask, and Stock. Shows options trading data for various series.

FT LONDON INTERBANK FIXING

Table with columns for Instrument, Rate, and % Change. Shows interbank fixing rates for various currencies.

MONEY RATES

Table with columns for Instrument, Rate, and % Change. Shows money market rates for Treasury Bills and Bonds.

LONDON MONEY RATES

Table with columns for Instrument, Rate, and % Change. Shows London money market rates for various instruments.

FAIRBANKS FINANCIAL MORTGAGES/REMORTGAGES. ARE YOU AWARE THAT THERE IS FOREIGN INTEREST IN YOUR MORTGAGE? \* ECU loans at 10% fixed...

GRANVILLE SPONSORED SECURITIES. High Low Company Price Change % YTD. Includes a list of securities and their performance.

JOTTER PAD. A collection of various advertisements and notices.

CROSSWORD No. 7,030 Set by DANTE. A crossword puzzle grid with clues.

ACROSS 1 Touched for a drink (6) 4 Four in new search for records (8) 9 Individual away from work, just this once (8-5)...

MONEY MARKETS

London rates firm

A WEAK pound pushed interest rates slightly higher on the London money market yesterday. Overnight money remained firm at 14-13 1/2 per cent, despite a surplus of day-to-day credit in London. Three-month interbank rose to 14 1/4 per cent from 14-13 1/4 per cent.

mists had suggested the Fed was likely to stay out of the market. In Frankfurt call money was unchanged at 6.80 per cent. The West German Bundesbank has offered liquidity to the banking system via a two-tranche securities repurchase agreement tender this week.

The market expects the central bank to be reasonably generous with its allocation of funds at the tender, possibly providing a slight surplus to counter tax payments and money flowing out to buy a Federal Government bond. A meeting of the Bundesbank council takes place tomorrow, but is not expected to result in higher official interest rates.

at the same time the German economy remains very strong, with growth in Gross National Product likely to exceed 4 per cent this year, according to the Bundesbank, the highest level of the decade. It was announced yesterday that GNP growth last year had been revised up to 3.6 per cent from 3.4 per cent.



WORLD STOCK MARKETS

Table of world stock markets including sections for Australia, Canada, Denmark, France, Germany, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, UK, and USA. Each section lists various stocks and their prices.

INDICES

Table of stock indices including New York Dow Jones, Toronto, London, and various international indices. It shows values for different dates and time periods.

NEW YORK ACTIVE STOCKS

Table of active stocks in New York, listing stock names, prices, and changes. Includes a section for Tokyo Most Active Stocks.

TRAVELLING ON BUSINESS IN THE U.S. AND CANADA?

Rest assured, you'll find the FT at leading hotels coast to coast. From coast to coast, the Financial Times is now available for hand-delivery...

Advertisement for Financial Times hand-delivery. Includes a list of cities: Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Detroit, Greenwich, Houston, Los Angeles, Miami, Minneapolis, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, Seattle, Stamford, Washington, Montreal, Ottawa, Toronto, Vancouver. Includes a graphic of a street lamp with 'Montgomery Street' and 'WALL ST' signs.

Continuation of world stock market data, including sections for Australia, Canada, Denmark, France, Germany, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, UK, and USA.

2pm prices September 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month	High	Low	Stock	Div. Yld.	P/E	100 Day High	Low	Close	Change	12 Month	High	Low	Stock	Div. Yld.	P/E	100 Day High	Low	Close	Change	12 Month	High	Low	Stock	Div. Yld.	P/E	100 Day High	Low	Close	Change
30	214	174	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
31	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
32	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
33	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
34	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
35	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
36	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
37	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
38	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
39	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
40	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
41	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
42	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
43	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
44	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
45	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
46	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
47	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
48	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
49	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11
50	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11	10	10	10	AAI	1.1	11	214	174	185	+11

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NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for Stock, High, Low, Close, and Change. Includes a section for 'Continued from previous page' and a 'Selected figures are unofficial' note.

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 5

Table of Over-the-Counter prices with columns for Stock, High, Low, Last, and Change. Includes a 'Selected figures are unofficial' note.

AMEX COMPOSITE PRICES

2pm prices September 5

Table of AMEX Composite Prices with columns for Stock, High, Low, Close, and Change.

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